

FINANTSINSPEKTSIOON
ANNUAL REPORT 2020

Finantsinspeksioon

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Start of the financial year: 1 January 2020

End of the financial year: 31 December 2020

Core activity: financial supervision

Management board: Kilvar Kessler, Andres Kurgpõld,
Andre Nõmm, Siim Tammer

Auditor: KPMG Baltics OÜ

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The work of Finantsinspeksioon was managed in 2020 by a four-member management board. From the left: management board members Siim Tammer and Andre Nõmm, chair of the board Kilvar Kessler, and board member Andres Kurgpõld.

FOREWORD BY THE MANAGEMENT BOARD

Normally you would expect this foreword to start by saying that the Covid-19 pandemic meant that 2020 was an exceptional year. We will start however with a short review of changes in the structure of the Estonian financial market, as they will affect households and businesses over a longer term than the coronavirus will.

The largest part of the Estonian financial sector is the banks and there have been a lot of changes there in the past five or six years. Earlier the third and fourth largest banks in Estonia were branches that were harder to control, but there are now no large branches in the market. The background to this change was the flood of regulations into the small local market, and developments in anti-money laundering efforts.

Predictably, this trend led to greater concentration in the market, which the existing small banks helped to offset. By now, one stockbroker has become a credit institution of a decent size, and a service provider for non-residents has become a good universal bank for local customers. Banks have also appeared that focus on consumer credit, creating additional competition and tidying up those markets. Securities issued by several new banks are traded on our exchange, and this has revitalised the local capital market.

Although increasing competition should have a positive impact on prices for services, the rapid growth in market participants also means growth in risks. We have balanced risks by requiring that financial intermediaries hold sufficiently large capital buffers, and by being consistently demanding about the development of how risk controls are organised. Risk management is being moved to a new level in anti-money laundering efforts for example, but financial intermediaries could still make further progress towards becoming sufficiently sensitive to risk. During the reporting year we drew a line under the extraordinary anti-money laundering supervisory cycle that had started in 2014, as the market has changed, market participants are adapting, institutions have drawn conclusions and development is going in the right direction.

The second important structural change was that the mandatory pension saving system became voluntary. Only the Riigikogu is able to take a fundamental decision on something that affects society so much. Finantsinspektsioon has a legal responsibility for ensuring that the change is applied within the appropriate norms. To do this we ran stress tests for pension funds both before and after the change came into force, to understand whether and to what extent they could withstand the outflow of money from the system. Their resilience is generally strong. We remain in dialogue with market participants about the reform and are directing them to work on their own information technology solutions. We have highlighted to the public the dangers that come with the changes, as fraudsters have been awakened by them. The system for resolving differences between

financial intermediaries and their clients would benefit from the creation of the position of the financial ombudsman, who could operate at Finantsinspektsioon and so have sufficient authority to defend the rights of clients systematically.

Evidently the coronavirus was the main actor on the negative side in the financial markets in 2020. The initial scenarios for the devastating impact the virus would have in the financial sector were not realised, but Covid-19 still posed two main types of risk for the financial supervisor. The first risk was one that could materialise quickly and was the operational risk that illness could leave financial intermediaries unable to provide services, worsening the stagnation in the economy and in the worst case causing public panic. The Estonian financial sector managed this operational risk very well during the crisis. Their starting position for doing this was good, as financial supervision has over the years consistently required the large market participants to have recovery plans and to test them, and has monitored those plans. The Covid-19 pandemic turned those exercises into a reality.

The second serious risk was credit risk. Negative developments mean that people and businesses are no longer able to meet their loan obligations and so credit losses occur, which in the worst case could leave banks insolvent and depositors losing more funds than the Guarantee Fund could cover. The biggest capital buffers of the banks in Estonia are made up of accumulated profit. This meant it was reasonable to freeze the existing profit buffers immediately to preserve the capacity of the banks to bear credit losses. Finantsinspektsioon also started a discussion about this with colleagues in Frankfurt and Stockholm, as that is where the authorities that supervise the largest banks in Estonia are based. The outcome was an agreement that was later reached throughout the whole European Union that banks would not pay out profits from the start of the pandemic in 2020.

We also worked on compliance with obligations to allow borrowers who were facing difficulties to postpone their repayments temporarily, while at the same time offering some relief to the banks to encourage them to allow these postponements. The majority of financial supervisors in the European Union had similar thoughts and plans, and so a single framework for payment moratoriums was introduced. On this basis the banks in Estonia agreed on a payment moratorium in spring 2020, following the single conditions set by the financial supervisor.

The internal organisation of work in Finantsinspektsioon was reformed during the reporting year. To achieve a better scale effect we joined together the crisis resolution function of Finantsinspektsioon with the Guarantee Fund. To make better use of our skills and knowledge, make management more efficient, and freshen up our perspectives, we rotated the areas of responsibility of the management board and made our structural units more uniform and smaller. The unexpected outbreak of the Covid-19 pandemic brought remote working to Finantsinspektsioon, which we had earlier prepared for and so were able to introduce smoothly. Remote working led to the planned transition to mobile working spaces, where the working tools of Finantsinspektsioon allow staff to be mobile.

The main challenges for Finantsinspeksioon in 2021 will come from the coronavirus crisis, the reform of the mandatory pension system, and the opinions of foreign assessors on the anti-money laundering capacity of Estonia. In addition, we are working towards our strategic priorities of helping the state to establish a framework for administrative sanctions and the institution of a financial ombudsman, mapping regulatory barriers to innovation in the financial sector, and moving towards a more generalised supervisory model based on IT solutions.

We will continue in 2021 to be certain, professional and open-minded in dealing with more than 200 subjects of financial supervision and the application of some 600 legal acts. Finally, we thank all the staff of Finantsinspeksioon and all our other colleagues, subjects of financial supervision and other partners who have helped to keep the financial markets in Estonia operating stably and honestly!

Chair of the management board of Finantsinspeksioon Kilvar Kessler presenting the 2019 annual report of Finantsinspeksioon to the Riigikogu.



ABOUT FINANTSINSPEKTSIOON

Finantsinspektsioon is an independent financial supervision and resolution authority. Finantsinspektsioon acts on behalf of the Estonian state and works to ensure that the regulated financial market is stable and transparent.

In financial supervision and in resolving financial crises, Finantsinspektsioon works for the benefit of the public interest. Its work is funded not from the state budget but by the supervision and procedural fees that are paid by the market participants that Finantsinspektsioon supervises.

The work of financial supervision focuses on keeping the financial sector stable, trustworthy, transparent and efficient. Finantsinspektsioon reduces the systemic risks in the financial sector and contributes within the limits of its responsibility to preventing criminal activity. Finantsinspektsioon supports the stability of the Estonian monetary system through its supervisory work. Finantsinspektsioon also prioritises the sustainability of the critical functions of the banks during crises and sufficient protection for the funds of depositors, investors and other clients.

Finantsinspektsioon carries out state supervision over licensed banks, insurance companies, insurance intermediaries, investment firms, fund managers, investment and pension funds, payment institutions, e-money institutions, creditors and credit intermediaries, and the securities market.

STRATEGY FOR 2019-2021

The Finantsinspektsioon strategy can be found on the Finantsinspektsioon website.

The keywords in the Finantsinspektsioon strategy are:

Vision

We are an influential and adaptive institution.

Mission

We maintain confidence in the financial market by conducting financial supervision in the public interest and resolving financial crises.

Values

In our work we are certain, professional and open-minded.

THE WORK OF THE SUPERVISORY BOARD

The activities of Finantsinspektsioon are planned and its management is monitored by the Supervisory Board. The board has six members. The Minister of Finance and the Governor of Eesti Pank are members of the supervisory board by virtue of their office. When the mandates of Valdur Laid and Veiko Tali ended, there were replaced as members of the supervisory board by Mai Palmipuu and Veiko-Joel Kokk. When Deputy Governor of Eesti Pank Maive Rute left office, Veiko Tali returned to the supervisory board in her place.

Members of the Supervisory Board of Finantsinspektsioon in 2020 were:

Martin Helme, Minister of Finance

Madis Müller, Governor of Eesti Pank

Maive Rute, Deputy Governor of Eesti Pank (until 31.12.2020)

Veiko Tali (as Secretary-General of the Ministry of Finance until 14.10.2020 and as Deputy Governor of Eesti Pank from 01.01.2021)

Valdur Laid, Director General of the Tax and Customs Board (until 14.10.2020).

Mai Palmipuu (from 15.10.2020)

Veiko Joel Kokk (from 15.10.2020)

Rein Minka, Member of the Supervisory Board of Eesti Pank

The Supervisory Board held six meetings in 2020 at which the following decisions were taken:

- The 2019 annual report of Finantsinspektsioon was approved
- The surplus of 505,142.52 euros in the Finantsinspektsioon budget for 2019 was transferred to the budget reserve of Finantsinspektsioon
- The Finantsinspektsioon budget of 9,318,000 euros for 2021 was approved
- The total number of staff at Finantsinspektsioon was confirmed from 01.01.2021 at not more than 120 employees
- It was proposed that the Ministry of Finance approve the supervision fee rates for 2021

The management board of Finantsinspektsioon gave the supervisory board regular reviews of its activity, its execution of the budget, and the state of the financial sector.

The meetings of the Finantsinspektsioon Supervisory Board were held virtually in 2020. Pictured from left: Supervisory Board members Veiko Tali, Madis Müller, Maive Rute and Valdur Laid. Chair of the Supervisory Board Martin Helme is participating by video.



THE WORK OF THE MANAGEMENT BOARD

Finantsinspektsioon's work was managed in 2020 by a four-member management board, which took decisions by majority vote. The Finantsinspektsioon Management Board comprised Chair **Kilvar Kessler** and members **Andre Nõmm**, **Andres Kurgpõld**, and **Siim Tammer**.

The Management Board held 62 meetings in 2020 at which 210 management decisions and 203 administrative rulings were made, of which 16 were written precepts. Five monetary fines were imposed on supervised entities for breach of the rules. The management board issued six authorisations and one additional authorisation. Three authorisations were withdrawn following an application from the supervised entity itself.

ORGANISATION AND STAFF

The Finantsinspektsioon staff are a good combination of dedicated top-level experts with long experience and young specialists who have arrived in the past few years as the organisation has grown. There were 110 people working at Finantsinspektsioon at the end of 2020, of whom 11 had suspended contracts. The average age of employees is 37.3 and they have worked on average for 7.8 years for Finantsinspektsioon. During the year, 20 new members of staff joined and 10 left. The majority of the staff by qualifications are specialists in finance, analysts and auditors, and lawyers. Everybody employed by Finantsinspektsioon has a higher education degree.

Finantsinspektsioon first started preparations for working under pandemic conditions in January, when the first warnings about the virus reached Estonia. The move to remote working in March went as planned and by that time the institution had the capacity needed for remote work.

Finantsinspektsioon carried through important structural changes in the organisation in 2020. The structural changes were needed because there have been substantial changes in recent years to the structure of the Estonian financial market and the dynamics of risk in it, and also to the content, complexity and amount of the legislation of it. The structural changes at Finantsinspektsioon will help it achieve its strategic goals better and act even more confidently in the name of a fair financial market. The new structure brings together and makes more efficient use of existing knowledge and skills, emphasising better the areas like enforcement, innovation and management supervision that need greater attention.

Remote working remained the main form of work throughout the year. Our staff adapted quickly to the new working conditions, and praised the IT support and management under the new circumstances. The situation improved in the summer and the Finantsinspektsioon management decided that staff could return to the office as long as they followed the appropriate restrictions.

Finantsinspektsioon offers internships to Estonian university students every year and an intern was taken on in summer 2020 to work on the legal side of supervising financial services.

The work of Finantsinspektsioon in numbers

110 staff

271 businesses under the supervision of Finantsinspektsioon

413 management decisions

26 advisory guidelines issued for market participants

WHAT DOES WORK AT FINANTSINSPEKTSIOON OFFER?

Oskar Friedrich Oengo, lawyer:

“Working at Finantsinspeksioon offers lots of variety and development. The work is interesting and all our colleagues are intelligent and ready to help.”



Romet Väljataga, specialist in financial accounting:

“Finantsinspeksioon is an interesting place to work because you are at the central point of where the lifeblood of the financial sector circulates. You have good opportunities to grow here and develop in a team of highly professional specialists. The work is meaningful and I feel that my employer values us as people and supports our professional development.”



Elen Tark, financial auditor:

“The work at Finantsinspeksioon for financial analysts and auditors is extremely varied, and offers unique opportunities for development. Working closely with international colleagues has broadened my horizons and given me many good contacts in my field. Having the chance for development and such supportive and professional colleagues is a real bonus.”



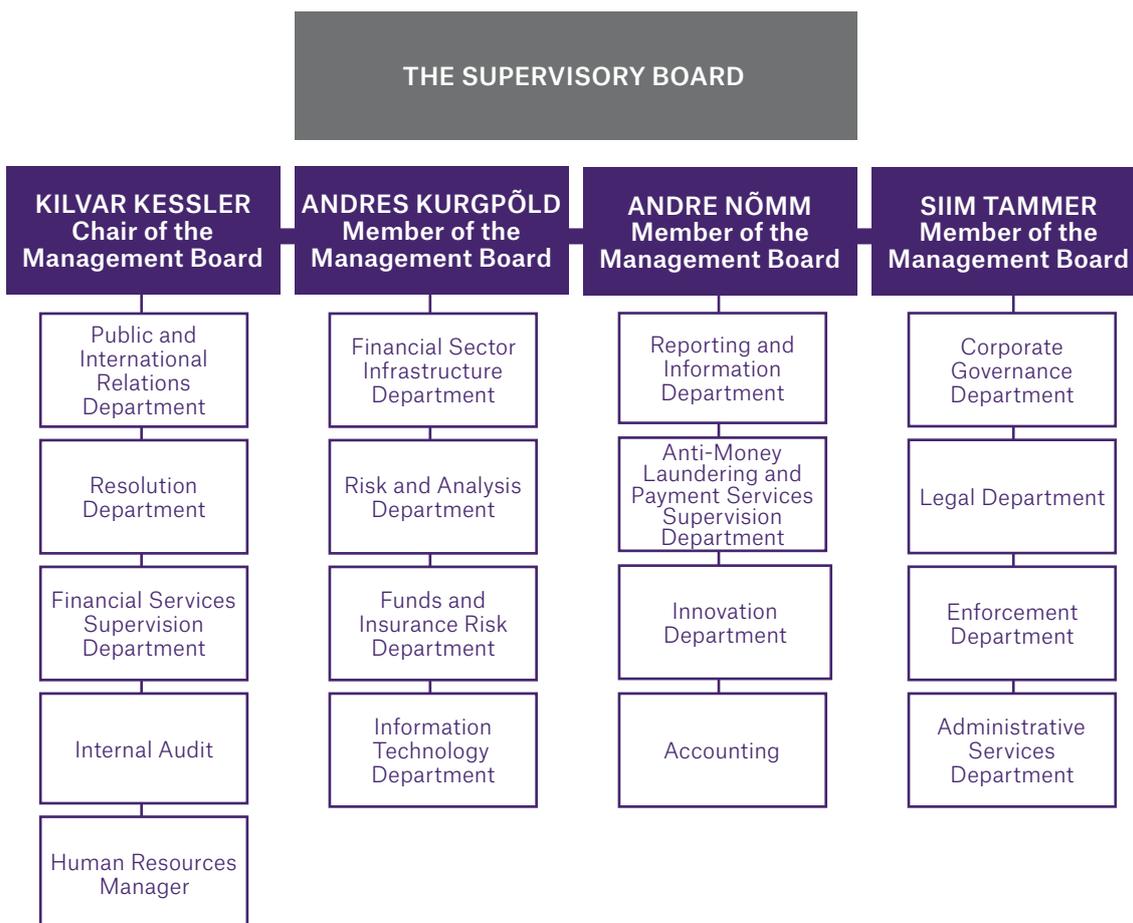
Astrid Matsoo, lawyer:

“Working at Finantsinspeksioon I feel that my expertise and experience are needed and that my contribution is noted and recognised. People at Finantsinspeksioon are also encouraged to be independent, and I can choose how I do my work and my perspective on it.”



STRUCTURE OF THE ORGANISATION

By decision of the Supervisory Board of Finantsinspektsioon, the Management Board became a four-member board from 1 January 2020. The Management Board comprised Chair Kilvar Kessler and members Andre Nõmm, Andres Kurgpõld, and Siim Tammer. The changes made to the structure of Finantsinspektsioon at the start of the year allowed several professionals to advance their career within the organisation as heads of new departments.



INTERNATIONAL COOPERATION

Finantsinspektsioon contributes to designing the financial supervisory policy of the European Union through the European supervisory authorities. There are three European supervisory authorities, which are the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities Market Authority (ESMA). The European Systemic Risk Board (ESRB) is also part of the European system of financial supervisors, and handles macro supervision.

As Estonia is also a member of the euro area, the everyday work of Finantsinspektsioon is affected by the single supervisory mechanism (SSM). This is a banking supervision system for the euro area that takes in the

European Central Bank and the supervisory authorities of the euro area countries. The European Central Bank conducts direct supervision through the SSM over important credit institutions in the euro area. The banks in Estonia that met the criteria for direct supervision in 2020 were AS SEB Pank, Swedbank AS and Luminor Bank AS.

Finantsinspektsioon is also responsible for crisis resolution, and works in the Single Resolution Board (SRB), which is the central resolution authority in the euro area for some credit institutions. The Single Resolution Mechanism consists of the Single Resolution Board together with the resolution authorities of the euro area countries.

Finantsinspektsioon participates in supervisory colleges for banking and insurance and in resolution colleges to make supervision over individual banks and insurers and over resolution of them as efficient as possible, and to make cooperation between the institutions responsible in different countries as effective as possible.

Finantsinspektsioon is also a member of the International Association of Insurance Supervisors (IAIS), the Group of Banking Supervisors from Central and Eastern Europe (BSCEE), and the International Organization of Securities Commissions (IOSCO). It also promotes cooperation between Nordic and Baltic countries in the Nordic-Baltic Macroprudential Forum (NBMF) and the Nordic-Baltic Stability Group (NBSG).

At the end of 2020, Finantsinspektsioon started a monthly meeting and discussion with the leaders of the financial supervisors from the other Baltic states on current topics in the Baltic financial markets to help create a joint viewpoint on European Union legislation.

Kilvar Kessler, Chair of the Finantsinspektsioon Management Board:

“There are currently two weaknesses in the framework of the Estonian financial system that can be resolved easily and which we have also offered to help resolve and written standards for. These are the insufficient levels of fines and inadequate procedures for them, and the lack of a financial ombudsman. The ombudsman would help consumers find solutions in disputes with financial intermediaries, while higher fines would lift financial deterrence up to the European level”.



THE WORK OF FINANTSINSPEKTSIOON DURING THE PANDEMIC

The coronavirus pandemic dealt a heavy blow to the global economy in 2020 and the financial market was hit along with other sectors. Although the Estonian financial sector was on a firm footing as the economic circumstances became more difficult, the crisis caused a lot of uncertainty in the sector. The operation of the financial sector is important for the whole of the economy, as problems that build up there can quickly be passed on into other sectors. Finantsinspeksioon had an important role to play in softening the impact of the pandemic by keeping the financial market stable and credible during the uncertain times. Finantsinspeksioon monitored that important financial services remained accessible and that market participants still had sufficient capital and liquidity buffers to let them cope with the crisis.

WORK BY FINANTSINSPEKTSIOON TO REDUCE THE IMPACT OF THE PANDEMIC ON THE FINANCIAL SECTOR

On top of a large amount of non-public work in supervising the financial sector, Finantsinspeksioon pushed the sector to cope with the impact of the pandemic through memos and advisory guidelines (see Table 1 on p52).

In March Finantsinspeksioon sent all credit institutions, creditors and credit intermediaries a memo highlighting that they must remain responsible in their lending even during the spread of the Covid-19 pandemic. The memo pointed out that a professional lender has to apply the principles of responsible lending before deciding to refinance the existing loan liabilities of a debtor on substantially different terms, such as an unreasonably high rate of interest.

In April Finantsinspeksioon issued two advisory guidelines concerning the impact of the pandemic. The guideline "Temporary relief for credit institutions in relation to the possible effects of the Covid-19 virus on the financial sector" allowed the banks to use their liquidity and capital buffers to cope with the impacts of the pandemic. This guideline also let the banks use a more favourable approach to classifying loans as overdue and to setting up provisions if the loans were covered by a state guarantee issued because of the pandemic.

Also in April, Finantsinspeksioon applied the European Banking Authority guidelines "Guidelines on legislative and non-legislative moratoriums on loan repayments applied in the light of the Covid-19 crisis" as Finantsinspeksioon advisory guidelines. This set clear conditions for the banks for how payment moratoriums, which are general postponements of compliance with loan contract conditions, should be handled. After the Finantsinspeksioon advisory guidelines were issued, the institutions in Estonia agreed on a single set of rules for payment holidays or moratoriums for corporate loans, housing loans, leases and consumption finance contracts. Finantsinspeksioon reinforced its decision by issuing advisory

guidelines in June allowing credit institutions to extend the payment holidays, which were originally intended to apply until the end of June, until the end of September.

In August the management of Finantsinspeksioon decided to apply the recommendation of the European Systemic Risk Board (ESRB) limiting payments out of own funds as a Finantsinspeksioon advisory guideline because of the pandemic. This guideline applies to less important credit institutions, investment firms and insurers. The European Central Bank applied the ESRB recommendation to the important banks. One point in the ESRB recommendation was that limits should be applied proportionally, and so the Finantsinspeksioon board decided that alongside the limits in the ESRB restriction a guideline would require subjects of supervision to notify Finantsinspeksioon at the first opportunity of any plans to take a decision affecting any matter covered by the recommendation, and to submit all relevant information on it. This would allow proportionality to be applied to subjects of supervision and the need for any limits to be assessed.

At the start of October, Finantsinspeksioon issued a memo to credit institutions, branches of foreign credit institutions, creditors, credit intermediaries and creditors operating under an exemption pointing out the restructuring measures that should be used for borrowers who have encountered payment difficulties under different circumstances. The memo expected creditors to find and apply effective, viable, responsible and lawful measures and solutions in the event of a borrower encountering payment difficulties and needing and being able to restructure their contractual obligations, in order to help the borrower overcome the difficulties and return to making sustainable repayments. The memo listed possible restructuring measures and recommended guidelines for when they should or should not be applied.

FINANTSINSPEKTSIOON ANALYSED THE FINANCIAL MARKET MORE THOROUGHLY BECAUSE OF THE PANDEMIC

Reports submitted to Finantsinspeksioon

8365 reports received by Finantsinspeksioon

3333 reports from banks

1719 reports from funds

1696 reports from creditors

435 reports from investment firms

Finantsinspeksioon started collecting additional information weekly on various risks from companies in the financial sector during the first wave of the pandemic. This gave it an even better and deeper view of the operation of the financial sector than usual. This information helps Finantsinspeksioon regulate the financial sector properly and quickly.

ANALYSIS OF SALES OF NON-PERFORMING LOANS

Finantsinspeksioon collected data in first half of 2020 from credit institutions on claims assigned in the first quarter of 2020 in order to assess the possible impact of the coronavirus pandemic on the amounts of claims assigned and the terms of their contracts. Six of the nine credit institutions operating in Estonia assign non-performing claims, and non-performing claims of 35.88 million euros were assigned by credit institutions in the first quarter of 2020. The data collected showed that there had been no withdrawal from assignment contracts, but sales

transactions had been cancelled because of reduced capacity to earn money or a fall in prices. The cancelled sales transactions or lower prices did not have any significant impact on the capital positions. The analysis was done because a narrowing of the option to sell would hurt the capital positions of the banks.

ASSESSING THE INTERNAL STRESS TESTS OF THE BANKS

Finantsinspektsioon analysed how credit institutions assessed the possible impact of the coronavirus crisis on their capital. All the credit institutions submitted analysis of possible scenarios with assumptions and results. The stress tests showed that no bank expected to break the capital requirements during the stress period because of insufficient capitalisation. Assessing the stress tests allowed Finantsinspektsioon to understand whether banks were looking too optimistically at the crisis and so underestimating the possible negative impact on capital buffers.

FINANTSINSPEKTSIOON'S STRESS TESTS OF THE BANKS

Finantsinspektsioon carried out credit risk stress tests on all of the credit institutions operating with an authorisation in Estonia to assess the possible impact of the coronavirus crisis on their capital sufficiency. The results of the test show the banks to be relatively well capitalised for covering the realisation of the risks. Finantsinspektsioon emphasised to credit institutions the need to hold sufficient capital reserves to cover risks so that they can protect themselves against the possible realisation of risks and a resulting unexpected fall in capitalisation below the required recommended level, and can reduce the impact of the business cycle on capital adequacy.

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)

Finantsinspektsioon carried out its annual supervisory assessment of credit institutions. Because of the pandemic and following the SREP methodology of the European Central Bank, the 2020 SREP was exceptionally organised in simplified form and the SREP assessment focused on how the pandemic would affect the risks and risk management of the banks.

ANALYSIS OF THE RISK MANAGEMENT OF THE BANKS IN MONITORING LOANS WITH A PAYMENT HOLIDAY

Finantsinspektsioon analysed the internal control systems of credit institutions for monitoring loans with a payment holiday. This was intended to assess the sufficiency of risk management at credit institutions for coping with the possible impact of the pandemic, and the changes caused by the coronavirus. The banks became more conservative for a time in issuing new loans and assessed their own readiness to cope with an increasing portfolio of non-performing loans.

ANALYSIS OF CHANGES IN PAYMENT TERMS

Finantsinspektsioon analysed how credit institutions, creditors and credit intermediaries were applying the principles of responsible lending during the coronavirus pandemic. The goal was to establish what was happening in the market, focus attention on flexibility towards clients with payment difficulties, and emphasise that professional lenders should not take advantage of clients facing

short-term difficulties, but should be reasonable and flexible and avoid unfair fees, conditions and rises in interest rates when handling restructuring or breaches of loan agreements. The analysis established that clients who had fallen into difficulties because of the restrictions were offered the chance to change their terms of payment.

ASSESSING THE SIZE OF THE BUFFERS OF THE BANKS

Finantsinspektsioon assessed the size of the buffers of credit institutions and the ability of the banks to bear the losses resulting from the coronavirus crisis. The own funds buffers of the banks exceeded the applicable capital requirements by 2.2 billion euros and were equal to 8.2% of the loan portfolio of the banks. The sector had sufficient capital buffers to take any losses caused by the pandemic.

THE VULNERABILITY ANALYSIS OF THE BANKS BY THE EUROPEAN CENTRAL BANK

Finantsinspektsioon analysed the results of the vulnerability analysis done by the European Central Bank because of the pandemic, which showed that the capital requirements were met by all the important credit institutions during the stress scenario.

ASSESSING THE OPERATIONAL CAPACITY OF THE BANKS

As part of the vulnerability analysis done by the European Central Bank, Finantsinspektsioon analysed the operational capacity of the important banks to cope with the impact of the coronavirus pandemic on credit risk. The aim of the exercise was to assess the readiness of the banks, especially those with a low level of non-performing loans, to cope with increasing credit risk, and to identify the banks that may not have sufficient capacity. Banks with a low capacity and a rising level of non-performing loans were selected for follow-up testing that required them to submit a programme explaining how they would cope with the increasing credit risk at the end of the moratorium, together with management and reporting plans. Two of the Estonian banks were selected for the follow-up testing.

ASSESSMENT OF THE IMPACT OF THE CORONAVIRUS PANDEMIC ON HOW INSURANCE COMPANIES HANDLED AND COMPENSATED LOSSES

Finantsinspektsioon clarified the impact of the pandemic on how Estonian insurers and Estonian branches of foreign non-life insurers handled and compensated losses. Immediately after the pandemic started, Finantsinspektsioon started to exchange information with insurers and organised mapping of risks and discussions with the management of insurers. The results of later remote inspection showed that the insurers had adapted well to the coronavirus pandemic and that their processes for handling and compensating losses were functioning. Travel insurance losses grew substantially when the pandemic erupted and sales of travel insurance fell. Finantsinspektsioon monitored the own funds of insurers constantly to make sure that they had sufficient buffers and that the impact of the coronavirus crisis would not pose any threat to them meeting the requirements.

THE IMPACT OF THE SPREAD OF COVID-19 ON THE FINANCIAL SECTOR

The outbreak of the Covid-19 pandemic affected different sectors in the Estonian financial market differently. The impact of the crisis on the banks can be summarised that the situation was serious in the first quarter, the full impact of the crisis was felt in the second quarter, and recovery started in the third quarter and continued at the end of the year. Insurance companies and investment firms did not feel any serious impact from the crisis.

THE IMPACT OF THE CORONAVIRUS ON THE BANKS

Contrary to what was feared about the impact of the Covid-19 virus, overdue loans and bad or non-performing loans held relatively stable as a share of the whole loan portfolio throughout last year. At the time the coronavirus crisis started on 25 March, 3.4% of the loan portfolio in the Estonian banking system was overdue by at least one day, and 1.9% was non-performing loans. These figures were even lower at the end of the year and there was no particular evidence of the crisis impacting the profit or profitability of the sector. The return on assets (ROA) of the Estonian banking sector was 8.8% in 2020, which was even better than a year earlier and substantially more than the average in the European Union. The caution that the banks showed about lending proved temporary, and remained mostly in the second quarter. This meant that the stock of loans of the Estonian banking sector continued to grow in 2020 as it had in previous years. At the same time, the banks reacted to the crisis by increasing their liquidity, as this had proved very important during the previous economic crisis.

It can be argued that the impact of the Covid-19 pandemic on the Estonian banking sector was quite small, as the impact was evident but the situation was kept under control by various measures. The share of the loan stock of the banking sector with payment holidays grew relatively rapidly to 11% at the end of the second quarter, to some extent replacing overdue and non-performing loans, but it shrank back rapidly as economic activity recovered from the third quarter, and only 2.5% of the loan stock in the sector had payment holidays at the end of 2020. The situation improved faster than expected during the summer and applications for payment holidays faded away. As the world was not yet free of Covid-19 by the start of 2021, the risks in the Estonian banking sector at the end of 2020 were still larger than usual.

Businesses supervised by Finantsinspektsioon

14 credit institutions

6 investment firms

13 payment institutions

55 fund managers

50 funds

66 creditors or credit intermediaries

48 insurance brokers

17 insurers

2 e-money institutions

THE IMPACT OF THE CORONAVIRUS ON INVESTMENT FIRMS AND PAYMENT INSTITUTIONS

The coronavirus did not have any significant negative impact on the investment firm sector. On the contrary, the annual profit of the sector was five times what it was in 2019, increasing from 5 million euros to 25 million. The average return on equity of the sector was 47% in 2020, which is extraordinarily high profitability for the financial sector.

Investment firms earned 66 million euros in income in 2020, which was double what they earned in 2019. Trading in financial derivatives provided 90% of the additional income earned.

Investment firms have very large market risk exposures, which allowed them to earn large profits from the volatility in the market caused by the Covid-19 crisis. Unfortunately one investment firm grossly violated the interests of its clients in the opinion of Finantsinspeksioon by passing risks on to them, and so Finantsinspeksioon fined the firm in 2021. Open market positions totalled 91 million euros, or 155% of own funds.

The balance sheets of investment firms were liquid, as more than half of the assets on them were highly liquid. The capitalisation of investment firms was generally sufficient to cover their risks.

The pandemic did not cause any substantial losses in the payment institution sector either. The capitalisation of payment institutions was generally good and they all met the standards for own funds at the end of the year. Some two thirds of the sales revenue of the sector came from providing payment services and interest income from lending was an important source of revenue. The volumes of payments for online purchases roughly doubled from the previous year.

THE IMPACT OF THE CORONAVIRUS ON INSURANCE COMPANIES

The Covid-19 pandemic did not have a major impact on the insurance sector. The capitalisation of non-life insurers fell when the spring wave of the pandemic peaked at the end of the first quarter as the value of investments fell, but it recovered in the second half of the year. At the end of the year all the non-life insurance companies met the solvency capital requirements with eligible own funds. The total capitalisation of the sector was 196%.

The non-life insurance sector achieved better results than usual during the spring months of the restrictions on movement, as reduced traffic volumes meant there were fewer traffic accidents and fewer damages in consequence. As a result, and partly also because of the good results in the first quarter, non-life insurers lowered their tariffs, especially for motor third-party liability insurance. The profitability of the insurance activities of non-life insurers licensed in Estonia was shown by the combined net ratio of 85.5% in 2020, which is the lowest figure of recent years.

Premiums fell by less at non-life insurers than was feared. The fall was largest in the second quarter, but later results improved a little. The crisis affected sales of travel insurance most, since the restrictions reduced travel by a large amount. Premiums written for motor vehicle liability insurance were also down, but this was primarily because of a reduction in tariffs across the market. The insurance premiums written by Estonian non-life insurers in the Latvian and Lithuanian branches were at the same level in 2020 as in the previous year. The insurance premiums written by the Estonian non-life insurance market, which includes branches of foreign insurers operating in Estonia, were down by a little more, losing 3.7%.

The biggest event caused by the pandemic for the life insurance market in 2020 was the fall in financial markets in March, like it was for the non-life insurers, and this has by now recovered. Although the life insurance premiums written by the two Estonian life insurers grew by a total of 8.5% in 2020, the emergency situation in the spring dealt a substantial blow to new contract signings. Sales work for life insurance relies a great deal on face-to-face contact, but in the spring the insurance companies went over to remote work.

The two Estonian life insurers again received a large part of their insurance premiums from outside Estonia through their Latvian and Lithuanian branches. The growth in insurance premiums in 2020 came from the work of the branches, as volumes in Estonia declined. The main reason that insurance premiums written in Estonia were down was the change in the pension insurance law that came in at the start of 2021 and that allows people to withdraw money directly from their pension fund and not sign a pension contract with an insurer.

Claims submitted increased by 9.2% in 2020 and the main reason for this was the increased repurchase of unit-linked life insurance, though compensation of risk contracts also increased. Both life insurers met their capital requirements in 2020. Life insurers, like other entities in the financial market, continue to have to cope with low interest rates, which above all affect the value of their liabilities.

THE IMPACT OF THE CORONAVIRUS ON FUND MANAGERS

The coronavirus crisis hit at the end of the first quarter, and exchanges started to fall. As the crisis had a global impact, there was no public or pension fund in Estonia that did not lose value from its portfolio. The total volume of assets in Estonian public funds, including pension funds and other funds open to ordinary investors, lost 6.8% or 371 million euros in the first quarter to stand at 5.08 billion euros. The funds started to recover as global exchanges did the same. The prices of units in many funds were already at the same level in the third quarter that they were before the crisis.

Finantsinspeksioon was in close contact with fund managers from the start of the crisis to assess how able they were to work under the conditions of the pandemic. Finantsinspeksioon also required additional reporting from real estate fund managers and managers of euro funds, or UCITS, on the crisis period so it could monitor the liquidity of funds, the redemption of shares, and the risks around asset pricing. The public funds managed to cope quite successfully with the crisis. There were no major liquidity problems and investors did not exit the funds en masse. The real estate funds also managed well and despite some fall in income they remained strongly capitalised.

Andres Kurgpõld, member of the Finantsinspeksioon management board:

“Despite the very difficult circumstances of 2020, there was no major deterioration in the quality of the loan portfolio of the banks. The banks managed well at handling credit risk and operating risks, introduced remote working effectively, and made changes to their business continuity plans. It is important to consider though that we still do not know the full extent of the crisis and the quality indicators for the assets the banks today may not reveal the real risk, as many clients were allowed payment holidays and the behaviour of borrowers was also helped by the support measures from the state, which by their nature are only temporary”.



BANKING AND CREDIT

Banks, credit intermediaries and creditors are supervised by Finantsinspektsioon under banking and credit supervision. The main activity of banks is taking in deposits or other repayable resources from the public and issuing loans, while creditors only issue loans. Creditors and credit intermediaries are only supervised by Finantsinspektsioon if they lend to consumers.

There were 14 banks or credit institutions operating in the Estonian banking sector at the end of 2020, of which five were branches of foreign banks. This was one fewer than a year earlier as the Estonian branch of Svenska Handelsbanken AB ceased its activities. The assets of the banking sector stood at 44.7 billion euros at the end of 2020, which was a fifth more than a year earlier, and the loan stock increased by 2.3% over the year to 28.3 billion euros.

Although a large part of the work of Finantsinspektsioon in supervising banking and credit in 2020 was focused on monitoring the impact of the coronavirus crisis, the ordinary work of supervising the consumer credit market continued through the constant monitoring of developments and various indicators for risk-based supervision. Work continued on fixing the principles of responsible lending more firmly in the consumer credit market, mapping the state of overdue loans and assignment of claims by creditors, and highlighting the need for regulation of the collections market. Finantsinspektsioon also started mapping the market to assess the collateral limits and the loan payment limits on loans from creditors and found out which credit products are offered on the market and under which conditions.

To promote responsible lending, Finantsinspektsioon issued the guidelines of the European Banking Authority “Guidelines on loan origination and monitoring” (EBA/GL/2020/06), which replaced the earlier guidelines of Finantsinspektsioon. The guidelines come into force on 30 June 2021 and will help to ensure that activities around lending and monitoring are harmonised across banks and creditors and take account of the requirements of consumer protection.



FIVE QUESTIONS ON RESPONSIBLE LENDING

Answers from head of the Financial Services Supervision Department Mari Puusaag-Tamm

Estonians are more cautious than people in other European countries and do not borrow as much. The principles of responsible lending need to be repeated regularly though to both lenders and borrowers however cautiously residents of the country borrow.

What does responsible lending mean?

Responsible lending means that loans should meet the needs of borrowers and should be designed so that the borrower is able to repay the loan under the agreed conditions. Responsible lending requires the lender to find information on the customer before the loan contract is signed to establish whether that customer is able to repay the loan.

The lender has to assess the assets of the borrower, their regular income, their liabilities, their earlier payment behaviour and the possible impact of an increase in the financial obligations under the contract. The lender also has to give the borrower enough clear information that they can understand whether the loan contract being offered to them suits their needs and their financial position.

Why is it important for both lenders and borrowers to be responsible?

The principles of responsible lending work in the interests of both the lender and the borrower. The goal of responsible lending is to make the consumer think about their financial position. They should clarify before signing a loan contract what their income and liabilities are and should consider whether the loan liabilities they are taking on will increase their monthly outgoings. They must be honest in giving information to the lender. If they have just lost their job for example, or if they know that their income will probably be smaller in future, they must say so. That allows the lender to consider all relevant information in assessing objectively and realistically the capacity of the loan applicant to repay the loan, so that the contract between the two parties considers both their interests.

What is it important to remember when signing a loan contract?

Before signing a contract, the borrower must read what the loan contract says, make sure of their rights and obligations, and be clear about how expensive the contract is, what the interest rates in it are, and what the costs of it will be. People have contacted Finantsinspektsioon because they do not finally understand how much they have to pay in interest under the contract. They should also look at the conditions for what happens if the borrower is no longer able to keep their side of the contract, and what options the lender has for passing the contract on to a collection company for example. It should perhaps be noted that the collections market is not regulated, and nor is it supervised by Finantsinspektsioon, and this can make it hard for a consumer to defend themselves.

What did Finantsinspektsioon do in 2020 to supervise compliance with the requirements of responsible lending?

Our keywords were prevention and common sense. We issued memos and guidelines [see Table 1] so that lenders and borrowers would act reasonably during the difficult times and attempt to negotiate any problems that could arise between them. We also wrote blogposts to educate consumers, recorded podcasts, and communicated individually with market participants. We carried out various inspections and where necessary issued injunctions to direct the activities of lenders.

How does the loan market in Estonia compared to those in other European countries?

Estonia stands out in Europe as a country where people are cautious about borrowing and the average loan burden is quite small. People prefer their own home bank, even though they could get a better offer from some other creditor. Estonians are leaders in Europe for financial literacy, but are not always so brave in making use of that wisdom.

INSPECTIONS ARE THE BACKBONE OF FINANTSINSPEKTSIOON

On-site and remote inspections help Finantsinspeksioon to assess whether the subjects of supervision are complying with their legal requirements. Many different areas at the banks are inspected, including internal control systems, general management, risk management and much more.

Finantsinspeksioon focused in its inspections of creditors on compliance with the requirements of responsible lending. The primary interest was in how creditors complied with the requirement to assess the credit capacity of borrowers. There were some creditors who showed no major shortcomings in their proceedings, but there were others who received an injunction after the inspection requiring them to bring their activities into line with the rules.

Finantsinspeksioon also carried out remote inspections at all the creditors in 2020 to find out about the assignment of claims coming from consumer credit contracts. The inspection found that more than half of the creditors who responded had not assigned any claims under consumer credit contracts in the given period. Some of the creditors had temporarily stopped assigning claims or had started temporarily to recover claims themselves. The reasons given were consumer protection, given the payment difficulties that could build up as a consequence of the pandemic, and the fall in the prices from assignment.

Inspections by Finantsinspeksioon

10 on-site inspections

203 remote inspections

97 inspections to counter money laundering

26 inspections of insurance companies

74 inspections concerning credit issuance



Member of the Finantsinspeksioon management board Andre Nõmm speaks at an Eesti Pank seminar on combating money laundering and the accessibility of banking services; Deputy Governor of Eesti Pank Ülo Kaasik is on the right.

FINANTSINSPEKTSIOON STARTED TO ANALYSE BIG DATA FROM THE BANKS TO ANALYSE ANTI-MONEY LAUNDERING WORK

Finantsinspektsioon contributed in 2020 to the introduction of technology solutions in supervision, an increase in monitoring activities, and the termination of on-site inspections that had been held under international cooperation.

In autumn Finantsinspektsioon introduced a new solution for identifying money-laundering risks that calculates and visualises the risks and vulnerabilities that the banks face from deposits and through payment channels by looking from various viewpoints and using multiple algorithms. Finantsinspektsioon is apparently the first financial supervisor in Europe to assess risks from this sort of big data from the banks. This new solution allows Finantsinspektsioon to react faster if money-laundering risks start to build up in the financial sector or at an individual bank, or if the nature of the risks changes.

Finantsinspektsioon carried out 87 remote anti-money laundering inspections and 10 on-site inspections in 2020. A cross-border joint project with the Swedish financial supervisors that started in 2019 was completed, and it assessed the activities of SEB and Swedbank simultaneously in Estonia and Sweden. Finantsinspektsioon identified shortcomings in the systems at SEB Pank for combating money laundering and terrorist financing, and issued a precept to the bank and a total fine of one million euros for four misdemeanours. Finantsinspektsioon issued a precept to Swedbank requiring the bank to take measures to improve its control systems for combating money laundering. SEB and Swedbank submitted their action plans to Finantsinspektsioon at the end of 2020 and their reviews of the investments made in risk controls.

Andre Nõmm, member of the Finantsinspektsioon management board:
“To keep banks away from money laundering and at the same time ensure the smooth and comprehensive operation of banking for society, there is no other option but to invest more than before in smart risk controls”.



FIVE QUESTIONS ON THE IT RISKS OF THE BANKS

**Answers from IT Auditor in the Financial Sector Infrastructure Department
Ingrid Krieger**



How does Finantsinspeksioon find out about IT problems at the banks?

Finantsinspeksioon learns about incidents at the banks through their regular reporting on operational risks and directly from the banks after there has been an incident. Regular reporting is used to inform Finantsinspeksioon about incidents of very different levels of impact, including those that clients of the bank would not notice at all.

How many serious interruptions were there to banking services in 2020?

The banks report serious incidents to Finantsinspeksioon following the standards for the whole of Europe. They must consider how many people were affected by the incident, how long the outage lasted, how it affected the economy, how it spread internally at the bank, and how it impacted the infrastructure and reputation of the bank. The banks declared a total of 43 significant incidents in 2020, which was twice as many as in 2019. The banks reported serious incidents involving separate payments the most, principally delays in payments because of differences in payment cycles. Cyber attacks on the banks became more common last autumn, but they did not cause any serious interruption in services.

What did Finantsinspeksioon do in supervising the IT risks of the banks in 2020?

The Covid-19 pandemic that started in 2020 changed the methodology that Finantsinspeksioon uses to assess IT risks. The assessment focused on making sure that the banks were able during the crisis to allow a much larger part of their staff than usual to work remotely, to minimise the related risks, and to apply measures to ensure the security of data and systems. Finantsinspeksioon met the banks regularly, and analysed the changes in the risk environment and the reorganisations made by the banks. This information was used to give each bank an assessment of how they were managing their IT risks and cyber risks. The combined score for IT risks was also written in the final result of the supervisory assessment of the banks, which gives an assessment of all risks. No significant IT incidents occurred at the banks because of the increased use of remote working, and the significant IT risks did not materialise. The banks coped successfully with the necessary reorganisation.

What IT operation was the most complicated from Finantsinspeksioon's point of view in 2020?

An important event was the transfer in November of Luminor's banking system and data to a modern solution. This was a mass scale change in the IT systems of the bank that was done to simplify, stabilise and improve the core system providing banking services and to reduce the risk of interruptions.

How should the banks prepare to minimise IT risks?

Minimising IT risks means more than just running tests, as it needs the support of the whole IT area. The bank needs to have an effective and efficient IT department and trained staff in the info security department, with a big enough budget, modern systems, IT processes that are well-designed and function well, and security measures that are correctly applied. The banks must also carry out regular tests and organise independent audits of their security risk management and their systems and processes.

Chair of the Finantsinspektsioon management board Kivilar Kessler and member of the board Andres Kurgpõld presenting the 2019 annual report of Finantsinspektsioon to the Riigikogu.



INSURANCE

Finantsinspektsioon carries out state supervision over insurance companies and insurance intermediaries or insurance distributors that operate under an authorisation granted by Finantsinspektsioon. The distribution of insurance covers preparing and managing insurance contracts or products, giving the client information before they sign the contract, signing the insurance contract, keeping the client informed throughout the duration of the contract, and handling and compensating claims. Finantsinspektsioon monitors that insurers comply with capital requirements and that their services comply with the requirements for marketing insurance. For insurance intermediaries it is only the compliance with the insurance marketing requirements that is monitored.

There are two life insurers and eight non-life insurers that operate in the Estonian market with authorisation from Finantsinspektsioon. AS LHV Kindlustus, which is part of the LHV Grup consolidation group, received an authorisation at the end of 2020.

There was also one merger in the Estonian insurance market in 2020, as Seesam Insurance AS completed a cross-border Baltic merger with Compensa Vienna Insurance Group and operated from 1 July under the name Compensa Vienna Insurance Group. The branch operating in Estonia continues to use the Seesam brand. The headquarters of the company are in Lithuania, with branches in Latvia and Estonia.

ESTONIAN INSURERS TOOK PART IN A PAN-EUROPEAN IMPACT ANALYSIS

The European Insurance and Occupational Pensions Authority (EIOPA) carried out two thorough impact analyses in 2020, in which Estonian insurers participated. The aim of the analysis was to test the impact on insurance companies of the changes made in 2020 to the Solvency II Directive. In December EIOPA prepared a final guidance paper for the European Commission on changes to the Solvency II regulations that drew on the results of the analysis for all the European insurers that had participated. Because of the pandemic, Finantsinspektsioon submitted an analysis of the liquidity position of local insurers to EIOPA in June together with the figures that were observed for analysing the changes. As the pandemic had little impact on the liquidity positions of the Estonian insurers, no additional reporting was needed from any insurance company.

MONITORING OF COMPLIANCE WITH THE REQUIREMENTS FOR DEVELOPING INSURANCE SERVICES

Finantsinspektsioon monitored whether insurers met the legal requirements for the development of insurance products and important changes to services, which the insurer has to apply to all their newly developed insurance products and to any significant changes to their existing insurance products.

ENTRY INTO THE LIST OF INSURANCE INTERMEDIARIES AND DELETION FROM IT

Insurance brokers and insurance agents operated in Estonia as insurance intermediaries. An insurance broker represents the interests of the policyholder. An insurance agent represents the interests of the insurance company and intermediates its services.

At the end of 2020, there were 41 insurance brokers listed as insurance brokers on the Finantsinspektsioon list of insurance intermediaries. There were also branches of seven foreign insurance brokers operating in Estonia at the end of 2020. Finantsinspektsioon entered two insurance brokers into the list of insurance intermediaries and deleted one insurance broker from it. Insurance agents are entered into the list of intermediaries by the insurance company they represent. Finantsinspektsioon issued authorisation to provide international services to one insurance broker and one insurance agent in 2020 (see Table 2).

PAYMENT AND E-MONEY SERVICES

Finantsinspektsioon carries out state supervision over payment and e-money institutions that operate under an authorisation granted by Finantsinspektsioon. Finantsinspektsioon issued authorisations to four payment institutions in 2020, one of which already had an authorisation but wanted to provide additional services that were not covered by the original authorisation. The authorisations issued in 2020 mainly concerned payment initiation and account information services, but one payment institution also wanted to provide payment instrument issuance and payment transaction receipt services to its clients.

There were 12 payment institutions in the market at the end of 2020, two of them operating with an exemption. The requirements are not as strict for payment institutions with an exemption from the authorisation as either the volume of payments they can intermediate is limited or they only provide account information services. The whole of the European Union moved over to strong authentication for payment services at the end of 2020, which also had some impact in Estonia on the removal from circulation of earlier less secure means of authentication.

Finantsinspektsioon last year analysed the revenue bases of payment institutions and the structure of their client assets, and continued to monitor problematic and risky market participants through investigations and more detailed reporting.

The supervision by Finantsinspektsioon of payment services has been affected in recent years by the entry into force of the second wording of the Payment Services Directive (PSD2) concerning comparability of fees for payment accounts, switching payment accounts, and access to basic payment accounts.

HALF OF THE COMPANIES RECEIVING AUTHORISATIONS FROM FINANTSINSPEKTSIOON WERE PAYMENT INSTITUTIONS

Eight companies received authorisations from Finantsinspektsioon in 2020, which was twice as many as in 2019. Half of the authorisations issued last year went to payment institutions (see Table 2).

Finantsinspektsioon withdrew authorisations from three companies last year. One payment institution, one creditor, and one mortgage creditor had their authorisations withdrawn. All three authorisations were withdrawn at the application of the company itself.

The application process for an authorisation generally takes six months to a year, and the deadlines for the proceedings are written in law. The list of companies that have received authorisation from Finantsinspektsioon can be found in the register of market participants on the Finantsinspektsioon website.

Authorisations issued in 2020

4 authorisations as a payment institution

1 authorisation as a fund manager

1 authorisation as a credit intermediary

1 authorisation as a non-life insurer

1 authorisation as an investment firm

WHAT IS AN E-MONEY INSTITUTION?

An e-money institution is a company that issues electronic money in its own name and has an authorisation to do so. E-money is an electronically saved value in a card, device, computer, mobile telephone or other piece of equipment or program that corresponds to an amount of money received.

FIVE QUESTIONS ON FINANCIAL INNOVATION

Answers from the head of the Innovation Department Mari-Liis Kukk

Innovation in the financial sector needs to be well thought through and tested, as people's money and trust are at stake. Regulators also need to be ready to deal with new problems so that confidence in the system is not shaken. Finantsinspektsioon created a separate unit for handling innovation as part of its structural changes.

How many innovative solutions came to the Estonian financial market in 2020?

There is certainly a lot of innovation right now in the financial sector. The survey of FinTech companies by TalTech University found there were 218 companies in Estonia at the end of 2020 whose main activity was providing technological solutions for companies in the financial sector or offering support services for such activities. Two years ago there were 84 such companies. It is estimated that 20-30 new financial technology companies are created each year in Estonia, and that rate of creation is only increasing. That survey did not cover most of the virtual-currency companies authorised in Estonia, nor innovative solutions that traditional financial institutions have created to support their own activities or large ICT companies that have created software for financial markets.

Where can we see the greatest innovation?

The first wave of innovation in the financial sector brought to the market a large number of loan platforms that increased opportunities for people and businesses to access loans or new payment services, but recently solutions relating to investment have been introduced.

Why is the use of innovative solutions in the financial sector important?

The new solutions increase variety and give access to financial services to those who were previously left out. People being left behind is not just a problem for developing countries. Surveys have shown that even in the wealthiest and most developed countries there are many small companies that cannot get any sort of capital from the traditional financial sector. Or if it is possible to get financing, then it is not necessarily on the conditions that suit the needs of all clients. Financial innovation brings fresh thinking and flexible solutions to the market, which help serve the needs of more people and in a way that suits them better.

What risks are there to innovation?

The new solutions must not let the clients down. People's money is at stake, and it is not possible to be careless with that. Innovation in the financial sector is always a major exercise in balance, including for the financial supervisor. If the new solutions are too strictly limited, we are making our financial sector less competitive, but allowing new solutions to develop fully independently could mean that deliberately or accidentally innovation causes events that damage trust in the whole of the sector. We need to be sure that the solutions that are used in the market have been sufficiently considered and tested. Increased participation by retail investors in financial markets could fundamentally change the operating logic of the markets, as information moves faster than ever before.



A website with a large audience or a social media account with a lot of followers could have a very large and direct impact on the value of the investments of very many people. To maintain trust in the market and protection for investors it is important to be sure that such influence is used responsibly and that the spread of information does not cross the boundary of market manipulation. For every large winner trading in the retail market, there is somebody who has made large losses. If somebody is causing those losses by manipulation, then it cannot be expected that retail investors will continue to put their money into the market over the long term. Regulators considering innovation need to be ready to deal with new problems so that confidence in the system is not shaken. Once trust is lost, it is very hard to win it back.

How innovative are Estonian financial institutions?

Financial innovation is very strongly developed in Estonia. Obviously there is innovation elsewhere in the world that has not reached us yet, but in the broader picture we are among the leaders in applying innovation in the financial sector. Innovation reaches the market fastest and most effectively if the banks and the new FinTech companies work together.



Member of the Finantsinspektsioon management board Andre Nõmm and Communication Specialist Kaisa Gabral recording a Finantsinspektsioon podcast talking about innovation in the financial sector.

INVESTMENT AND THE SECURITIES MARKET

Finantsinspeksioon carries out state supervision over investment firms, fund managers, and investment and pension funds that operate under authorisations granted by Finantsinspeksioon, and over the securities market (see Table 3). Finantsinspeksioon supervises a total of 26 companies in these areas. Banks are also active in investment, offering their clients investment products and access to financial markets. The fund managers supervised by Finantsinspeksioon include pension funds and alternative and UCITS fund managers, and the funds managed by them. The investment fund market is dominated by mandatory pension funds, of which there are 24, and the 14 voluntary pension funds, and their total volume in 2020 was over 5.5 billion euros.

Finantsinspeksioon monitors trading in securities and releases of information by listed companies in the regulated market of Nasdaq Tallinn and the First North alternative market. At the end of 2020 Finantsinspeksioon was supervising 28 issuers on the exchange. Six of these were Estonian resident issuers whose securities were not traded on the Estonian regulated market.

FINANTSINSPEKTSIOON ASSESSED THE LIQUIDITY OF PENSION FUNDS

One of the priorities for Finantsinspeksioon in 2020 was protection for pension fund unit holders as the pension reform made the second pension pillar voluntary. Although the pension reform came into force at the start of 2021, Finantsinspeksioon had already started mapping and assessing the risks of the reform in 2019, and continued doing so in 2020. Finantsinspeksioon assessed the resilience of mandatory pension funds to the changes and various aspects around the protection of the collective interests of different stakeholders. It also issued its own risk assessments in the drafting of the legal acts for the reform and in the constitutional review in court.

Finantsinspeksioon carried out liquidity stress tests for all the mandatory pension funds, assessing the impact of departures from the second pillar on the regular management of the funds and on the value of the assets of the funds. The results showed that the funds generally have sufficient liquidity to cope with the departure of investors, but very large-scale departures could put some funds in difficulty.

The operational risks of the pension reform relate to the infrastructure of the pension system and above all to the pension register, which is held by Pensionikeskus. Finantsinspeksioon monitors the IT development and processes of Pensionikeskus in order to be sure that the communication channels needed between the parties and the pension reform are available. At the end of the year Finantsinspeksioon imposed extraordinary reporting on Pensionikeskus in order to monitor constantly the number of applications to leave the second pillar and the amounts that they covered, and to analyse how they would affect the liquidity of the pension funds.

FINANTSINSPEKTSIOON IDENTIFIED MANIPULATIVE TRANSACTIONS IN THE MARKET

The Securities Market Act requires Finantsinspeksioon to monitor exchange transactions with financial instruments to identify possible criminal activity in the market.

Finantsinspektsioon identified market manipulation transactions and acquired the proof needed to carry out successful investigatory proceedings.

Finantsinspektsioon also supervises over-the-counter derivative transactions. It processed three exemptions from the obligation to report intra-group transactions of a non-financial counterparty group in 2020. It also processed and approved amendments to the regulations of the Tallinn Stock Exchange and the multilateral trading system First North and developed the ability to perform analytical tests on securities transaction data. The tests allow even better assessment of the quality of data and reports that are submitted and so make supervision more effective.

FINANTSINSPEKTSIOON REGISTERED THE PROSPECTUSES OF THREE ISSUERS DURING THE YEAR

Before offering its securities to the public in Estonia or trading them on the regulated market, a company must register its prospectus with Finantsinspektsioon. Prospectuses for the public sale, listing and trading of one new share issue and two bond issues were registered in 2020. Finantsinspektsioon also registered one supplement to a prospectus. All the prospectuses registered came from issuers of securities that had already been accepted earlier for trading on the Tallinn exchange.

The pandemic did not affect the public issue of securities or the trade in them. Finantsinspektsioon started processing a lot more prospectuses than usual in 2020 that for one reason or another did not end up being registered. There were four such cases during the year.

Securities can also be publicly offered in Estonia using a prospectus registered with the financial supervision authority of another country in the European Economic Area if the authority that has registered the prospectus has informed Finantsinspektsioon of this. There were fewer such prospectuses than usual in 2020 as Finantsinspektsioon was informed in 2020 of eight public cross-border offers. Securities using a prospectus registered with Finantsinspektsioon can also be offered in other countries of the European Economic Area with a notification forwarded by Finantsinspektsioon. Finantsinspektsioon give notification of one such international offer in 2020.

THERE WERE NO SERIOUS SHORTCOMINGS IN THE REPORTING BY ISSUERS ON THE EXCHANGE

Finantsinspektsioon supervises issuers of securities and the information that they publish. Exchange issuers have to produce their financial reports within specified time limits. During the year Finantsinspektsioon examined the public presentation of the annual reports and interim financial reports of all the issuers, and the information on the impact of the pandemic in their public reports. One issuer was given a precept about the publication of its annual report. The annual reports of three issuers were examined more thoroughly to assess their compliance with the requirements. The annual reports of the selected issuers were examined for the publication of alternative performance indicators, the publication of information on environmental issues, human rights and the fight against corruption, and for other information resulting from the common European priorities agreed within ESMA. The ESMA priorities are intended to ensure the uniform application of International Financial Reporting Standards (IFRS) by issuers in the states of the European Economic Area.

THE LEGAL ENVIRONMENT

Finantsinspektsioon did a considerable amount of work relating to the legal environment in 2020. Of particular note is the work of the Ministry of Finance on the draft act changing the Credit Institutions Act and the related secondary legislation (312 SE). This is based on the Capital Requirements Directive, the Capital Requirements Regulation, the Bank Recovery and Resolution Directive, and the Single Resolution Procedure and the Resolution Fund Regulation, so it has a significant impact on all banking supervision.

Finantsinspektsioon has not stopped supporting reform of the punishments applied in the financial sector as it finds that the current misdemeanour proceedings are not appropriate for the financial sector. The rates of punishment in the Estonian financial sector have for years now been as little as one thousandth of those required in European Union, and that leaves the financial sector in Estonia vulnerable.

FINANTSINSPEKTSIOON WAS INVOLVED IN THREE COURT CASES IN 2020

Fit and proper person assessments by Finantsinspektsioon

444 fit and proper person assessments carried out

129 assessments at creditors and credit intermediaries

94 assessments at payment institutions

83 assessments at insurers

285 positive decisions

8 negative decisions

Two of the three Finantsinspektsioon court cases had started in 2019. Nexo Services OÜ, Nexo Capital Inc and Credissimo EAD filed a complaint with the Tallinn Administrative Court on 21 March 2019 demanding that the warning issued by Finantsinspektsioon on 4 March 2019 be declared unlawful and that Finantsinspektsioon be obliged to retract the publication of the warning and remove it from its website. The appeal by Finantsinspektsioon was rejected by the Supreme Court on 28 January 2021, and this decision meant that the decisions of the lower courts were upheld and that the complaint was satisfied.

Finantsinspektsioon removed the warning notification of 4 March 2019 from its website and stopped publishing the other warning notifications.

The other court case involving Finantsinspektsioon in 2020 concerned the complaint submitted to the Tallinn administrative Court on 26 June 2019 by GFC Good Finance Company AS, GFC Holding OÜ, Tiiu Järviste, Andrii Danchak and Lada Riisna. The complaint demanded that Finantsinspektsioon retract its decision no 4.1-1/70 of 27 May 2019 or that the decision be established as unlawful, that publishing it be established as unlawful, and that compensation be paid for damages. It was also demanded that Finantsinspektsioon reject the inaccurate data published on GFC Good Finance Company AS or that the valuations be declared unlawful. The case is still ongoing.

Authorisation proceedings at Finantsinspektsioon

29 authorisation proceedings carried out

20 applications for authorisations

9 applications for significant participation

8 authorisations issued

On 1 June 2020 the management board of Finantsinspektsioon passed a misdemeanour decision punishing Meelis Tikerpuu with a 500-euro fine for committing market manipulation using the shares of Coop Pank AS. Meelis Tikerpuu submitted a complaint on 16 June to the Harju County Court demanding that the decision by Finantsinspektsioon be annulled. The Tartu County Court approved the decision of Finantsinspektsioon on 8 January 2021 and upheld the misdemeanour decision. Meelis Tikerpuu appealed to the Supreme Court on 10 February 2021, and the case is ongoing.



Member of the Finantsinspektsioon management board Siim Tammer and lawyer Sander Hein represent Finantsinspektsioon in court.



FIVE QUESTIONS ON ASSESSING MANAGEMENT IN THE FINANCIAL SECTOR

Answers from lawyer Marju Kohv

Last year 214 managers were given the green light by Finantsinspektsioon to work in the Estonian financial sector, while seven had to stop at red. Finantsinspektsioon assessed 319 people in total last year for their suitability to work as senior managers in the Estonian financial sector, and in 98 cases no final decision was given for various reasons.

On what grounds is the decision taken of whether a person is fit to work as a senior manager in the financial sector?

Finantsinspektsioon assesses whether the manager meets certain criteria, which includes assessing whether their earlier activities or omissions are in line with the value system of the financial sector. We assess their education, knowledge, skills and experience; their reputation and credibility; possible conflicts of interest and their independence; whether they can dedicate enough time to the requirements of the position; and their collective suitability. Once this has all been checked and completed, that person can become a senior manager at a financial company that is subject to financial supervision.

Why is it necessary to check whether senior managers in the financial sector are fit and proper people?

Managers working in the regulated financial sector need to have high qualifications and very good professional skills. Their background and their abilities have to give confidence to the supervisor, shareholders, investors, clients, and the public that management will function appropriately, reliably, legally, and in their best interests.

Are there enough good managers in Estonia who are fit to manage the banks?

The work of the Estonian banking sector is not limited only to Estonia, as it is an international business. Several Estonian banks have branches in other countries and they also provide services internationally. There are already several people who are originally from outside Estonia who are working as managers in the banks, and this trend is generally increasing. But among the people operating in the Estonian financial sector there are enough competent and good managers who are able to lead banks.

How long does it take on average to assess whether a person is fit and proper as a manager?

How long the procedure lasts depends on whether the manager is also being assessed as part of some other application for authorisation, such as an authorisation for operation, registration or significant participation, or whether the assessment is being made because of changes in the management of a financial company. The procedure for an authorisation assessment that looks not only at the eligibility of the managers but also at compliance with other requirements, and for which the authorisation package needs to be looked at as a whole, lasts as long as the whole authorisation application process. If a new manager is appointed at a company in the financial sector that is already under financial supervision, then although each manager must be assessed individually and uniquely, experience shows that this will on average only take a few months. How long the procedures take depends a lot on the person being assessed and on the questions that concern them.

What was the strangest thing about somebody who wanted to become a manager in the financial sector in 2020?

It is difficult to give a specific example of a case, but there were people in 2020 who stood out because they wanted to become managers in the regulated financial sector but their previous background and experience offered no support for them in this. These people proved unable to convince the financial supervisor even during the assessment procedures. The most curious cases are those where the assessment uncovers a hidden manager, so that we seem to be assessing one person as manager but the actual manager is standing behind them invisibly. Fortunately such cases are rare, and when they do arise then the person is rated as unfit to be a manager. These are just one-off cases as a rule, and mainly the people who we are informed of are fit and proper to manage the subjects of financial supervision safely and reliably.

FINANTSINSPEKTSIOON ISSUED FINES OF 1.2 MILLION EUROS AND SUBMITTED 30 COMPLAINTS OF CRIMINAL ACTIVITY

Finantsinspektsioon concluded six misdemeanour proceedings in 2020, which was one more than in the previous year. Two of the misdemeanour proceedings concerned credit institutions, and the others concerned the activities of a fund manager, a payment institution, and an issuer, and a case of market abuse. Proceedings in a further three cases were continued into 2021, and these concern a credit institution, an investment firm and a possible case of market abuse.

Finantsinspektsioon submitted 30 complaints of criminal activity in 2020, having submitted five the previous year. Most of the complaints concerned companies operating without authorisation.

Finantsinspektsioon issued a total of 1.2 million euros in fines in 2020 for the misdemeanour proceedings that were concluded. The largest fines were given for shortcomings in systems to combat money laundering and terrorist financing, and for publishing incorrect information about the current fee rates for pension funds.

Siim Tammer, member the Finantsinspektsioon management board:

“Finantsinspektsioon understands the legal arguments behind the decision of the Supreme Court that publishing warning notifications was not legal, and so we immediately stopped doing it. However we still believe that warning notifications are an important source of information in a sector that is increasingly complex and prone to fraud, and so we are trying to restart publishing warning notifications on a better legal basis as soon as possible”.



FINANTSINSPEKTSIOON AS A RESOLVER OF CRISES

One aim of Finantsinspektsioon is to prevent any insolvency of any bank hurting financial stability, and so to protect the funds of the public sector, depositors, investors and other clients.

In 2020, Finantsinspektsioon extended and updated the resolution plans of the important banks operating in Estonia together with the minimum requirements for eligible own funds and liabilities. The Resolution Department worked internationally on this with the resolution authorities and supervisory authorities of other countries, participating in crisis resolution colleges and contributing to the work of the internal resolution team. Finantsinspektsioon also continued extending, compiling and updating the resolution plans of the less important banks and investment firms operating in Estonia, and setting the minimum requirements for own funds and eligible liabilities.

COOPERATION BETWEEN THE GUARANTEE FUND AND FINANTSINSPEKTSIOON HAS HELPED ACHIEVE SCALE EFFECTS

Finantsinspektsioon signed an agreement with the Guarantee Fund at the end of 2019 under which Finantsinspektsioon started in 2020 to provide services to the Guarantee Fund that will help the fund achieve its goals better, especially outside of crises but also during them. Merging the activities of the two organisations has created scale effects and synergy between the resolution institution and the decision-making processes of the guarantee scheme. The Guarantee Fund is now also paying more attention than before to the readiness of banks to pass data to the Guarantee Fund on deposits that need to be compensated.

THE SINGLE RESOLUTION FUND IN EUROPE TOOK IN SOME 9.1 BILLION EUROS IN 2020

A resolution fund has been set up at the Guarantee Fund to finance crisis resolution, and the banks operating in Estonia make regular payments in to it. The Guarantee Fund transfers the payments to the Single Resolution Fund set up at the European level, which is managed by the Single Resolution Board.

The single resolution fund took in some 9.1 billion euros in 2020 from over 3000 banks and investment firms in Europe. The payments by the banks and investment firms in Estonia provided 0.087% of this amount. Payments were received for the fifth year in a row, and by the end of 2020 the funds built up for crisis resolution totalled 442.1 billion euros.

It is planned that by 2023 the single resolution fund will cover at least 1% of the volume of guaranteed deposits that are held in banks of member states of the banking union. The Single Resolution Board believes that it will need about 70 billion euros for this.

CONSUMERS

Finantsinspeksioon has no legal right to resolve consumer complaints, and so it cannot give assessments in individual cases about the legality of the activities of subjects of supervision or resolve the content of disputes. If a consumer contacts Finantsinspeksioon, it can use the complaint to make a supervisory enquiry of the financial institution to ask for explanations and to test whether it is acting in full compliance with the law. The main goal in handling the complaint is to find information on the risk environment and use this in planned supervisory activities to guide and control financial intermediaries (see Table 4).

Finantsinspeksioon took the initiative in 2020 to establish its own out-of-court resolution body, or financial ombudsman, to handle disputes about financial services. This gives consumers faster resolutions to arguments than court proceedings do. Finantsinspeksioon has the professional skills, experience and knowledge to set up an ombudsman at the institution, and has a structure for promoting financial literacy. It also monitors the progress of services from creation to completion, meaning that an ombudsman at Finantsinspeksioon can engage in a more effective dialogue with financial intermediaries where needed.

FINANTSINSPEKTSIOON HELPS CONSUMERS OF FINANCIAL SERVICES PROTECT THEMSELVES AGAINST FRAUD

Before consuming a financial service, consumers can check on the website of Finantsinspeksioon whether the company providing it has the authorisation to do so. Finantsinspeksioon also issued warning notifications in 2020 about companies that were operating in the market without an authorisation. It issued a total of 1283 such warnings, which was 350 more than in 2019. Of those warnings, 37 were written and published

at the initiative of Finantsinspeksioon. European financial supervisors work together to spread information on companies operating without an authorisation, publishing warnings on companies in other countries too.

The work of Finantsinspeksioon in numbers

1283 warning notifications

30 notifications of criminal acts to the police

284 customer complaints about financial services

1.2 million euros of fines issued

THERE WERE 284 COMPLAINTS ABOUT PROVIDERS OF FINANCIAL SERVICES

There has been a steady increase over recent years in the number of client complaints received by Finantsinspeksioon, and 284 complaints were received in 2020.

The most common complaints about the banks concerned settlements. Clients were mainly unhappy about the completion of payment transactions, but also about credit institutions refusing to create client relationships or deciding to

end client relationships. Bank clients also reported problems with loans and credit card agreements.

Complaints about creditors and credit intermediaries mainly concerned credit contracts, such as compliance with post-contract liabilities and fair assessment of credit capacity.

The most common disputes in insurance were about compensation for losses, especially refusal to compensate losses and the size of the compensation, though also about the length of the procedures in cases of loss and the methods for compensating loss.

Consumer complaints in 2020 by service type

138: settlements

91: loans/credit

13: investment services

10: property insurance

6: motor third party liability insurance

4: travel insurance

2: pension pillars

Finantsinspektsioon also monitors whether market participants have set out rules regulating how they handle client complaints if clients complain directly to them. The procedure for handling client complaints should have rules on registering complaints, reporting them, communicating information on the handling of complaints, and observing the rules for follow-up and handling of complaints. The monitoring by Finantsinspektsioon established that market participants had such rules and followed them.

FINANTSINSPEKTSIOON PROMOTES CONSUMER EDUCATION THROUGH THE CONSUMER WEBSITE AND PODCASTS

Financial intermediaries are constantly bringing new products and services to the market or adding new options to their current offers. To help improve the financial literacy of the Estonian public, Finantsinspektsioon set up the consumer website minuraha.ee 10 years ago. The texts on the consumer website were updated substantially in 2020 and content for it was provided by the communication teams of Finantsinspektsioon's partners at the Ministry of Finance, Eesti Pank and the Estonian Banking Association.

Minuraha.ee offers independent advice on the financial services and products that are on the market. The main information website is grouped by subject area under banking, insurance, investment, and pensions. The latest news and most popular information can be found on the front page. Because schools had moved over to remote teaching, the part of the website aimed at teachers was updated substantially with several video clips, worksheets and e-books.

Finantsinspektsioon started to produce podcasts in 2020 for consumers who know more about the financial world and are more interested in it, and the blog on the Finantsinspektsioon website was revived.

Experts from Finantsinspektsioon contributed articles on current topics in 2020 to produce a whole edition of the legal journal *Juridica* on financial markets, showing the great potential of the staff of Finantsinspektsioon.

INCOME AND EXPENSES OF FINANTSINSPEKTSIOON

ACCOUNTING PRINCIPLES

GENERAL

The Finantsinspektsioon annual profit and loss account has been prepared in accordance with the Financial Supervision Authority Act and the accounting principles detailed here. Under the Eesti Pank Act, Finantsinspektsioon does not pay income tax or any other taxes related to its economic activities to the state budget, except taxes related to natural persons. Under Section 21 of the Value Added Tax Act, Finantsinspektsioon is registered as a taxable person with limited liability and calculates the value added tax from the supply of intra-Community acquisition or imports of goods and services. Income and expenses are recorded during the accounting period on an accrual basis regardless of when cash was received or paid. The profit and loss account has been prepared on the historical cost basis. Claims for supervision fees reflect claims submitted to subjects of supervision for supervision fees to be paid within the deadline set in the Financial Supervision Authority Act. The profit and loss account has been prepared in thousands of euros unless indicated otherwise.

TRANSACTIONS IN FOREIGN CURRENCY

All currencies except the euro, which is the currency of account for Finantsinspektsioon, are considered foreign currency. Transactions in foreign currency are recorded using the official daily fixings of the European Central Bank at the transaction date.

OPERATING LEASES

An operating lease is a lease where where the significant risks and benefits of ownership of the asset are not transferred to the lessee. Operating lease payments are reflected as an expense linearly across the lease period in the profit and loss account.

PROFIT AND LOSS ACCOUNT

		<i>thousand euros</i>	
	Appendix	2020	2019
INCOME			
Supervision fees	1	8 624	7 470
Other income	2	169	39
Total operating income		8 793	7 509
EXPENSES			
Labour costs	3	5 268	4 441
Sundry operating expenses	4	2 227	2 434
Other expenses	5	101	92
Total operating expenses		7 596	6 967
Result from core activities		1 197	542
Financial income and expenses	6	-50	-37
Result for the reporting year		1 147	505

APPENDIX 1 TO THE ANNUAL PROFIT AND LOSS ACCOUNT

SUPERVISION FEES

thousand euros

	Supervision fees 2020	Supervision fees 2019
Credit institutions	5 881	4 905
Non-life insurers	970	911
Fund managers	620	534
Life insurers	435	434
Creditors	224	216
Insurance brokers	202	195
Investment firms	171	146
Payment institutions	79	96
Credit intermediaries	19	13
Pension register administrator	18	18
Regulated securities market operator		
E-money institutions	5	2
Total	8 624	7 470

VOLUME SHARE RATES FOR SUPERVISION FEES

per cent

	Volume share rates for supervision fees 2020	Volume share rates for supervision fees 2019
Credit institutions	0.0147	0.0175
Non-life insurers	0.097	0.097
Fund managers	0.0013/0.0095/0.013	0.0013/0.0095/0.013
Life insurers	0.023	0.023
Creditors	0.1	0.1
Insurance brokers	0.92	0.92
Investment firms	0.23	0.23
Payment institutions	0.019	0.019
Credit intermediaries	0.1	0.1
Pension register administrator	0.5	0.5
Regulated securities market operator		
E-money institutions	0.22	0.22

The operations of Finantsinspeksioon are mainly covered by supervision fees paid by the subjects of financial supervision and procedural fees under the Financial Supervision Authority Act. The principles for financing of Finantsinspeksioon are set out in more detail in the Financial Supervision Authority Act.

The supervision fee has two components. The first is the capital share, which depends on the type of supervised entity and is 1% of the capital requirement of that entity, which may be minimum net own funds, minimum capital requirement, the highest of minimum equity or own funds or share capital or core capital, or similar. The second is the volume share, which is the rate that is set annually by the Ministry of Finance at the proposal of the Finantsinspeksioon Supervisory Board and is paid on assets, gross premiums, total intermediation fees, the stock of consumer credit, or another basis, depending on the type of supervised entity.

The capital share and the volume share of the supervision fees are paid in advance to the Finantsinspektsioon budget by 31 December of the preceding year. The final payment of the volume share is paid into the budget by 1 September. Entities that fall under supervision during the financial year pay only the capital share of the supervision fee within 30 days of receiving the right to operate.

APPENDIX 2

OTHER INCOME

	<i>thousand euros</i>	
	2020	2019
Processing fees	39	25
Other income	130	14
Total	169	39

Under the Financial Supervision Authority Act, any natural person, legal person or branch of a foreign business that applies to Finantsinspektsioon to have an application considered or a transaction completed pays a processing fee to Finantsinspektsioon.

The service fee paid by the Guarantee Fund under the cooperation agreement signed between Finantsinspektsioon and the Guarantee Fund is recorded under other income.

APPENDIX 3

LABOUR COSTS

	<i>thousand euros</i>	
	2020	2019
Salaries	3 890	3 255
Taxes	1 308	1 125
Supervisory Board remuneration	70	61
Total	5 268	4 441

Staff costs cover the salaries, bonuses, remuneration of members of the management board, severance pay, and the imputed increase in holiday entitlement arising from unused holidays, together with social tax and unemployment insurance of 84 thousand euros.

The average salary of employees of Finantsinspektsioon in 2020 was 2700 euros a month.

The total remuneration paid out to members of the Finantsinspektsioon Supervisory Board and Management Board in 2020 was 452 thousand euros. The remuneration paid out to them in 2019 was 336 thousand euros. Performance bonuses paid out to employees accounted for 7.8% of staff costs.

There were 99 members of staff as at 31 December 2020, including members of the Management Board.

APPENDIX 4

SUNDRY OPERATING EXPENSES

	<i>thousand euros</i>	
	2020	2019
Membership fees for international organisations	806	762
Rent of real estate	316	292
IT infrastructure, software and development	755	751

thousand euros

	2020	2019
Business travel	41	254
Office expenses	87	127
Communication costs	38	29
Training	40	75
Accounting services	56	54
Legal assistance and consultation	1	9
Information agencies	16	16
Personnel work	13	10
Cost of leasing fixed assets	50	46
Audit costs	8	9
Total	2 227	2 434

OPERATING EXPENSES

Under membership fees for international organisations, Finantsinspeksioon records fees paid for membership to ESMA, EIOPA, EBA, IAIS, BSCEE, and IOSCO.

Rent of real estate covers the office space rented from Eesti Pank with a total surface of 1673.2 m², which increased to 1738.8 m² from 10 September 2020, at a monthly price of 13.99 euros/m². It includes the real estate management services purchased from Eesti Pank including repair costs.

IT infrastructure, software and development reflects the information technology services bought from Eesti Pank at an imputed cost of 4326 euros per user per year, and the IT infrastructure and development projects for Finantsinspeksioon.

Business travel records the costs of travel for representing Finantsinspeksioon and for supervisory cooperation. Business travel was primarily related to the work of European banking supervision at the European Central Bank and the SSM, and meetings of the committees and subcommittees of the European supervisory authorities (ESAs). A total of 59 business trips were made in 2020, and 358 were made in 2019.

Office expenses cover the costs of books and periodicals for Finantsinspeksioon, translation and postage costs, office equipment and petty expenses, consultation and representation costs, calling costs, and transport costs.

Communication costs cover the consumer education programme, the www.minuraha.ee website, and the cost of the Finantsinspeksioon annual report.

Training costs cover the participation of Finantsinspeksioon staff in training in Estonia and abroad, including the costs of travel for training. Training abroad together with travel cost on average 710 euros in 2020, and training in Estonia cost 193.50 euros. In 2019, training abroad cost on average 1016 euros and training in Estonia 108 euros.

Accounting costs cover the cost accounting, partial management accounting, payroll accounting, credit accounting, and payment and settlement execution purchased from Eesti Pank.

Legal assistance and consultation records the costs of proceedings paid for under a court decision of the Harju County Court.

Expenses for information agencies cover the costs of using news agencies. Personnel work covers the costs of hiring employees for Finantsinspeksioon.

The cost of leasing fixed assets includes the rental costs on an annual basis paid by Finantsinspeksioon to Eesti Pank for fixed assets used by Finantsinspeksioon including IT hardware and software, and inventory. The amount of the lease is equal to the amortisation rate of the fixed assets of Eesti Pank.

Audit costs record the cost of auditing the profit and loss account of Finantsinspektsioon. Under §51 (3) of the Financial Supervision Authority Act, the annual profit and loss account of Finantsinspektsioon is audited by the Eesti Pank auditor.

APPENDIX 5

OTHER EXPENSES

	<i>thousand euros</i>	
	2020	2019
Guarantees and benefits	70	48
Culture and sport	31	37
Court costs	0	7
Total	101	92

Guarantees and benefits are maternity support, extraordinary allowances and costs for promoting health and sport among the staff. This cost item also covers the reimbursement of one third of the contributions made by Finantsinspektsioon employees to the voluntary pension system, but not more than 10% of their gross annual salary.

Culture and sport records the costs of events for employees of Finantsinspektsioon.

APPENDIX 6

FINANCIAL INCOME AND EXPENSES

	<i>thousand euros</i>	
	2020	2019
Financial income and expenses	-50	-37
Total	-50	-37

Finantsinspektsioon keeps its reserves at Eesti Pank. The funds held by Finantsinspektsioon at Eesti Pank had been subject to the EONIA interest rate since 1 October 2015.

BALANCE SHEET

	<i>thousand euros</i>	
ASSETS	31.12.2020	31.12.2019
Cash and bank accounts	16 329	13 775
Supervision fee claims	195	203
Total assets	16 524	13 978
LIABILITIES AND RESERVES		
Liabilities to employees	218	134
Sundry liabilities	1 296	1 099
Income of future periods	8 979	7 861
Provision for possible future liabilities	7	7
Total liabilities	10 500	9 101
Reserves	4 877	4 372
Result for the reporting year	1 147	505
Reserves and result for the reporting year, total	6 024	4 877
Liabilities, reserves and result for the reporting year, total	16 524	13 978

COMMENTS ON THE 2020 BALANCE SHEET

Cash and bank accounts reflects the balance on the settlement account at Eesti Pank.

Supervision fee claims are the prepayments of 195 thousand euros in supervision fees for 2021 not yet received by Finantsinspektsioon. The claim in 2019 for unpaid advance supervision fees for 2020 was 203 thousand euros.

Liabilities to employees covers holiday liabilities. Holiday liabilities are the 218 thousand euros of the imputed liability of Finantsinspektsioon for holiday entitlement unused by employees.

Sundry liabilities cover the costs to Finantsinspektsioon that Eesti Pank covered in 2020 and for which Finantsinspektsioon will compensate Eesti Pank in 2021. Finantsinspektsioon's expenses are recorded in the annual report on an accrual basis.

Income of future periods records the prepaid supervision fees for 2021 of 8979 thousand euros. Income of future periods in 2019 recorded the prepaid supervision fees for 2020 of 7861 thousand euros.

Under decision No 1.1-1/1 of the Supervisory Board of Finantsinspektsioon of 20 March 2020, 505 thousand euros of profit from 2019 was classed as reserves, and the total of reserves for 2020 stood at 4870 thousand euros.

The profit for the reporting year in 2020 was 1147 thousand euros.

CONFIRMATION BY THE MANAGEMENT BOARD

Tallinn 2021

The annual report has been prepared by the Management Board of Finantsinspektsioon and presented for approval to the Supervisory Board of Finantsinspektsioon. The annual report is submitted to the Riigikogu.

The annual report contains a review of the work of Finantsinspektsioon, including

- the profit and loss account for the year
- the balance sheet
- the auditor's report

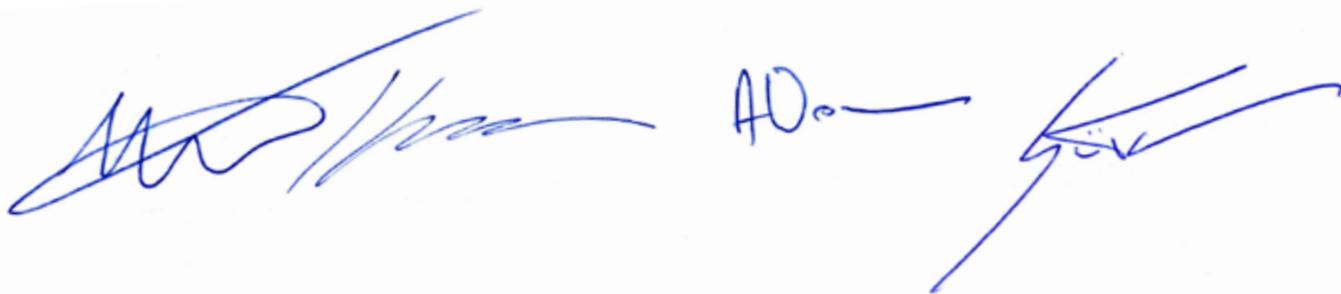
The Management Board of Finantsinspektsioon confirm that the profit and loss account for the year for Finantsinspektsioon meet the requirements of the Financial Supervision Authority Act and the applicable accounting principles.

Kilvar Kessler

Andres Kurgpõld

Andre Nõmm

Siim Tammer

The image shows four handwritten signatures in blue ink, arranged horizontally. From left to right: a large, stylized signature for Kilvar Kessler; a signature for Andres Kurgpõld that includes the initials 'AD'; a signature for Andre Nõmm; and a signature for Siim Tammer.

(signed digitally)

THE WORK OF THE INTERNAL AUDITOR

In the opinion of the internal auditor, the decisions of the Supervisory Board and the Management Board were executed satisfactorily in 2020. Management and control systems substantially functioned under reasonable decisions.

Finantsinspektsioon was extremely well prepared for the emergency situation that was declared because of the spread of the coronavirus and it adapted rapidly to the remote working regime. An important cause of the success was the sensitive, rapid and flexible actions of the management, including the organisation of precautionary crisis training.

The internal auditor finds that Finantsinspektsioon staff acted appropriately to avoid conflicts of interests and the measures taken to prevent conflicts of interest worked as required by law.

The internal auditor worked in 2020 on risks, responsibilities and reviews. The internal auditor was fully independent in the general planning of his work, execution of his official duties, and organisation of his work, and neutral and objective in the announcement of the results. The Supervisory Board and the Management Board set aside sufficient resources for the internal audit in 2020.

The work followed the code of ethics of the Institute of Internal Auditors, professional standards and principles, and the recommendations in the key regulations and guidelines for internal auditors of the European System of Central Banks. The internal auditor's assessment based on key indicators found that the internal audit met reasonable expectations and the required quality standards.



Raivo Linnas Internal Auditor

(signed digitally)

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Independent Auditors' Report

(Translation of the Estonian original)

To the Supervisory Board of Finantsinspektsioon

Opinion

We have audited the annual report of revenues and expenditures of Finantsinspektsioon, which comprise the balance sheet as at 31 December 2020, the revenue and expenditure report for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the annual report of revenues and expenditures is prepared in all material respects in accordance with the Financial Supervision Authority Act and the accounting principles stated in the annual report of revenues and expenditures.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Annual Report of Revenues and Expenditures section of our report. We are independent of Finantsinspektsioon in accordance with the ethical requirements that are relevant to our audit of the financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the paragraphs included in the 2020 annual report, but does not include the annual report of revenues and expenditures and our auditors' report thereon.

Our opinion on annual report of revenues and expenditures does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual report of revenues and expenditures, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual report of revenues and expenditures or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Supervisory Board for the Annual Report of Revenues and Expenditures

Management is responsible for the preparation of the annual report of revenues and expenditures in accordance with the Financial Supervision Authority Act and accounting principles stated in the annual report of revenues and expenditures. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the annual report of revenues and expenditures that is free from material misstatement, whether due to fraud or error.

In preparing the annual report of revenues and expenditures, management is responsible disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The Supervisory Board is responsible for overseeing Finantsinspektsioon's financial reporting process.



Auditors' Responsibilities for the Audit of the Annual Report of Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the annual report of revenues and expenditures as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this annual report of revenues and expenditures.

As part of an audit in accordance with Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual report of revenues and expenditures, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Finantsinspektsioon's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Finantsinspektsioon's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual report of revenues and expenditures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the annual report of revenues and expenditures, including the disclosures, and whether the annual report of revenues and expenditures represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tallinn, 19 March 2021

/signed/

Eero Kaup

Certified Public Accountant, Licence No 459

KPMG Baltics OÜ

Licence No 17

TABLES

TABLE 1. GUIDELINES

Table 1.1. Guidelines issued by Finantsinspektsioon.	
Name of the guideline	Date/decision number
Issue of the European Banking Authority guidelines "Guidelines on loan origination and monitoring" as Finantsinspektsioon advisory guidelines	09.11.2020 (no 1.1-7/167)
Issue of the European Banking Authority guidelines amending "Guidelines on legislative and non-legislative moratoriums on loan repayments applied in the light of the Covid-19 crisis" (EBA/GL/2020/02) as amended Finantsinspektsioon advisory guidelines	07.12.2020 (no 1.1-7/186)
Issue of the European Banking Authority guidelines "Guidelines on credit risk mitigation for institutions applying the IRB approach with own estimates of LGDs" as Finantsinspektsioon advisory guidelines	26.10.2020 (no 1.1-7/159)
Guidelines on the treatment of structural FX under Article 352(2) of the CRR, Regulation (EU) No 575/2013	02.11.2020 (no 1.1-7/164)
Guidelines on credit risk mitigation for institutions applying the IRB approach with own estimates of LGDs	26.10.2020 (no 1.1-7/159)
Guidelines amending guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds in order to ensure compliance with the CRR Quick Fix in response to the COVID-19 pandemic.	12.10.2020 (no 1.1-7/152)
Guidelines on supervisory reporting and disclosure requirements in line with CRR Quick Fix in response to the Covid-19 pandemic	12.10.2020 (no 1.1-7/151)
Issue of the European Banking Authority guidelines EBA/GL/2020/10 "Guidelines on the pragmatic 2020 supervisory review and evaluation process in light of the Covid-19 crisis " as Finantsinspektsioon advisory guidelines	14.09.2020 (no 1.1-7/132)
Guidelines on liquidity stress testing of UCITS and Alternative Investment Funds	14.09.2020 (no 1.1-7/131)
Guidelines for determining the weighted average maturity of a securitisation tranche in accordance with Article 257(1) of Regulation (EU) No 575/2013	24.08.2020 (no 1.1-7/121)
Guidelines on reporting to competent authorities under Article 37 of the MiFID	24.08.2020 (no 1.1-7/119)
Issue of the European Banking Authority guidelines EBA/GL/2020/07 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis" as Finantsinspektsioon advisory guidelines	03.08.2020 (no 1.1-7/114)

Table 1.1. Guidelines issued by Finantsinspeksioon.

Name of the guideline	Date/decision number
Issue of Finantsinspeksioon advisory guidelines "Limits on disbursements during the Covid-19 pandemic" based on the recommendations of the European Systemic Risk Board and the European Central Bank	03.08.2020 (no 1.1-7/112)
Issue of "Recommendation amending EBA/REC/2015/01 on the equivalence of confidentiality regimes" as Finantsinspeksioon advisory guidelines	06.07.2020 (no 1.1-7/98)
Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure - coronavirus/Covid-19	15.06.2020 (no 1.1-7/85)
Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2	08.06.2020 (no 1.1-7/75)
Guidelines on standardised procedures and messaging protocols under Article 6(2) of Regulation (EU) No 909/2014	08.06.2020 (no 1.1-7/76)
Guidelines on outsourcing to cloud service providers	02.06.2020 (no 1.1-7/70)
Cooperation and exchange of information between competent authorities supervising credit and financial institutions within the meaning of Directive (EU) 2015/849. Guidelines of the money laundering and terrorist financing prevention collegium	04.05.2020 (no 1.1-7/61)
Guidelines for stress test scenarios under the MiFID	05.05.2020 (no 1.1-7/60)
Requirements for the organisation of the information technology and information security of the subject of financial supervision	30.06.2020 (no 1.1-7/19)
European Banking Authority guidelines "Guidelines on legislative and non-legislative moratoriums on loan repayments applied in the light of the Covid-19 crisis" (EBA/GL/2020/02)	21.04.2020 (no 1.1-7/53; no 1.1-7/99)
Temporary relief for credit institutions in relation to the possible effects of the Covid-19 virus on financial sector	21.04.2020 (no 1.1-7/54)
Combating financial crime in the context of the Covid-19 pandemic	13.04.2020 (no 4.11-3.1/2068)
European Banking Authority guidelines "Guidelines amending Guidelines EBA/GL/2018/05 on fraud reporting under the Payment Services Directive (PSD2)" (EBA/GL/2020/01)	01.07.2020 (no 1.1-7/50)
EBA guidelines on managing ICT and security risks	30.06.2020 (no 1.1-7/40)

TABLE 2. AUTHORISATIONS

Table 2.1. Issue of authorisations and permissions to operate

Sector	Name of business	Decision of the Management Board	Date
Insurance broker	Advan Kindlustusmaakler OÜ	Entry in the list of intermediaries	Decision of the Management Board 4.05.2020; Entry in the list of intermediaries 07.05.2020
Credit intermediary	Laenuvahendaja OÜ	Issue of authorisation	07.12.2020
Insurance broker	Cachet Insurance Broker OÜ	Entry in the list of intermediaries	Decision of the Management Board 21.12.2020; Entry in the list of intermediaries 22.12.2020
Insurance broker	Mede Kindlustusmaakler OÜ	Entry in the list of intermediaries	Decision of the Management Board 21.12.2020; Entry in the list of intermediaries 15.01.2021
Insurance company	AS LHV Kindlustus	Issue of authorisation	29.12.2020
Payment institution	Adson AS	Issue of authorisation	24.08.2020
Payment institution	Crumblo OÜ	Issue of authorisation	01.06.2020
Payment institution	Meieni OÜ	Issue of authorisation	06.07.2020
Payment institution	Maksekeskus AS	Issue of authorisation	18.05.2020
Small fund manager	Mobilus Fund Management OÜ	Issue of authorisation	02.03.2020
Investment firm	Funderbeam Markets AS	Issue of authorisation	31.12.2020

Table 2.2. Withdrawal of authorisations and permissions to operate

Sector	Name of business	Decision of the Management Board	Date
Creditor	Express Credit AS	Withdrawal of authorisation	20.01.2020
Insurance broker	Adele Kindlustusmaakler OÜ	Removal from the list of intermediaries	3.02.2020
Creditor	Sofi OÜ	Withdrawal of authorisation	4.05.2020
Mortgage creditor	OÜ AAKinnisvaralaen	Withdrawal of authorisation	8.06.2020
Payment institution	Transferfast OÜ	Withdrawal of authorisation	20.04.2020

Table 2.3. Authorisations for cross-border activity

Sector	Name of business	Notification	Date
Credit institution	AS LHV Pank	Plan to provide cross-border services in Sweden, Austria, Denmark and Lithuania	03.02.2020
Credit institution	Holm Bank AS	Plan to provide cross-border services in Sweden	23.03.2020
Credit institution	AS Inbank	Plan to stop providing cross-border services in Latvia	02.03.2020
Insurance broker	Kominsur Kindlustusmaakler OÜ	Plan to provide cross-border services in France	10.03.2020
Credit intermediary	IUVO GROUP OÜ	Plan to provide cross-border services in Bulgaria, Germany, the United Kingdom, Greece, Romania and Poland	07.09.2020
Insurance broker	Cachet Insurance Broker OÜ	Plan to provide cross-border services in Latvia, Lithuania, Sweden, Norway, Ireland, Finland, Belgium, Romania, Germany, Spain, France, Croatia and Czechia	28.12.2020
Insurance agent	SINU Kindlustus OÜ	Plan to provide cross-border services in Finland	03.02.2020
Payment institution	Maksekeskus AS	Plan to provide cross-border services in Latvia and Lithuania	21.09.2020
Payment institution	AS Pocopay	Plan to provide cross-border services in Norway	19.10.2020
E-money institution	inHousePay AS	Plan to provide cross-border services in Latvia, Lithuania, Poland, Spain and Portugal	31.08.2020

Table 2.4. Granting authorisations to found, change or close a branch of an Estonian company in a foreign country

Sector	Name of business	Decision of the Management Board	Date
Credit institution	Bigbank AS	Founding a branch in Bulgaria	17.08.2020
Investment firm	Admiral Markets AS	Closing a branch in Poland	27.07.2020

Table 2.5. Setting up or changing a branch of a foreign business in Estonia or terminating its activities

Sector	Name of business	Decision of the Management Board number	Date of decision
Banking (founding a branch)	Bigbank AS - Branch Bulgaria	4.1-1/118	17.08.2020

Table 2.6. Providing international financial services in Estonia. The table lists international notifications of intention to provide cross-border financial services in Estonia

Sector	Number at the end of 2019	Number at the end of 2020
Banking services	372	378
Investment services	2013	2312
Non-life insurance services	490	499
Life insurance services	115	115
Insurance intermediation services	1981	2184
Credit intermediation services	33	34
Payment services	96	91
E-money institution services	58	73
Fund management services	19	6
International provision of investment funds	78	103

TABLE 3. CHANGES AT INVESTMENT AND PENSION FUNDS

Table 3.1. Registration of investment and pension funds, changes to conditions, and other procedures		
Trigon Balti Fond	Changes to conditions	12 27.01.2020
LHV Pensionifond Eesti	Issue of authorisation to merge	15 03.02.2020
LHV Pensionifond Roheline	Initial registration	37 09.03.2020
Tuleva Maaailma Aktsiate Pensionifond	Changes to conditions	69 18.05.2020
PE FoF usaldusfond	Permission to make offers in Estonia	82/15.06.2020
Birdeye Timber Fund 3	Permission to make offers in Estonia	158/19.10.2020
LHV Pensionifond Indeks	Changes to conditions	133/21.09.2020
EfTEN Residential Fund usaldusfond	Permission to make offers in Estonia	135/21.09.2020
Swedbank Pensionifond V30 indeks (restricted withdrawal)	Initial registration	173/9.11.2020
Swedbank Pensionifond V60 indeks (restricted withdrawal)	Initial registration	174/9.11.2020
Swedbank Pensionifond V100 indeks (restricted withdrawal)	Changes to conditions	172/9.11.2020
LHV Pensionifond Roheline Pluss	Initial registration	188/30.11.2020
LHV Pensionifond Roheline	Changes to conditions	194/14.12.2020
Avaron Areneva Euroopa Väikeettevõtete Fond MASF	Initial registration	211/29.12.2020

TABLE 4. CONSUMER COMPLAINTS

Table 4.1. Number of complaints sent to Finantsinspektsioon by service type

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Banking services	101	80	64	72	78	102	92	121	139	201
Insurance including insurance intermediation	45	34	33	33	31	45	44	45	42	28
Creditors and credit intermediaries						19	47	23	39	47
Other including unspecified	4	2	5	5	3	3	8	3	13	8
Total	148	119	102	108	112	174	186	196	233	284

Table 4.2. Number of complaints sent to Finantsinspektsioon in 2020 by service type and service provider

	Number of complaints
Settlements	138
Loans/credit	91
Investment services	13
Property insurance	10
Motor third party liability insurance	6
Travel insurance	4
Deposit	3
Optional motor vehicle insurance	2
II and III pension pillars	2
Leases	2
Life insurance	1
Watercraft insurance	1
Credit insurance	1
Annuities	1
Fund management	1
Other including unspecified	8

Table 4.3. Number of complaints sent to Finantsinspektsioon by service provider

	Number of complaints in 2019	Number of complaints in 2020	Market share in the sector*
Swedbank AS	38	59	45%
AS SEB Pank	25	39	22%
Luminor Bank AS	25	27	8%
Bondora AS	18	19	0%
AS LHV Pank	15	27	17%
Coop Pank AS	5	9	3%
TF Bank AB (publ.) Estonia branch	2	6	0%
ERGO Insurance SE	6	6	18%
ESTO AS	0	6	1%
AS TBB pank	5	4	0%
Holm Bank AS	2	4	0%

Table 4.3. Number of complaints sent to Finantsinspeksioon by service provider

	Number of complaints in 2019	Number of complaints in 2020	Market share in the sector*
PLACET GROUP OÜ	2	4	2%
Admiral Markets AS	2	4	67%
Inbank AS	3	3	1%
IPF Digital Estonia OÜ	0	3	3%
If P&C Insurance AS	4	3	19%
Swedbank P&C Insurance AS	3	3	19%
AS Citadele Banka Estonia branch	2	3	0%
AB Lietuvos draudimas Estonia branch	7	3	15%
AB Kreditex AS	4	2	1%
Akciné draudimo bendrové Gjensidige Estonia branch	1	2	2%
Hüpoteeklaen AS	1	2	1%
BB Finance OÜ	1	2	1%
Seesam Insurance AS	3	2	10%**
Pluss Kindlustusmaakler OÜ	0	2	-
SEB Life and Pension Baltic SE Estonia branch	0	2	24%
Aktsiaselts INGES KINDLUSTUS	3	1	1%
GFC Good Finance Company AS	5	1	-
Bigbank AS	3	1	2%
Ferratum Bank plc	2	1	-
Luminor Pensions Estonia AS	1	1	8%
Invest In OÜ	1	1	0%
Monefit Estonia OÜ	0	1	1%
Omega Laen AS	0	1	0%
Iuvo Group OÜ	0	1	0%
OÜ Altero	0	1	0%
BestCredit OÜ	0	1	0%
AAS BTA Baltic Insurance Company Estonia branch	4	1	6%
KindlustusEst Kindlustusmaakler OÜ	0	1	6%
SEB Liising AS	0	1	19%
N26 Bank GmbH	0	1	-
PayPal (Europe) S.à r.l. et Cie, S.C.A.	0	1	-
Trustly Group AB	0	1	-
8 Blockchain Capital OÜ	0	1	-
Danske Bank A/S Estonia branch	7	1	-
AS Parex banka	0	1	-
Unnamed service provider, other	10	18	-

* Market share as at the end of 2020. Market shares in insurance are calculated from insurance premiums and do not include reinsurance. Market shares in banking are calculated from client deposits, those for fund managers from fund assets, those for investment firms from asset volumes, those for creditors from the loan stock, and those for credit intermediaries from turnover. The data do not cover subsidiaries, associated enterprises or branches.

**The market share of Seesam Insurance AS is given as at 30.06.2020. On 02.07.2020 Seesam Insurance AS merged with Compensa Vienna Insurance Group, ADB Estonia branch.

